

## Moscow's Problems? In Tokyo, Petty Cash

As a Measure of Japan's Mess, Its Stocks Lost More in a Week Than Russia Is Worth

By Nicholas D. Kristof and Sheryl WuDunn  
New York Times Service

TOKYO — One statistic stood out on Friday to explain the importance of Japan, along with its misery.

When trading ended at the Tokyo Stock Exchange, Japanese stocks this week alone had dropped in value by \$241 billion — a sum that exceeds the size of the entire Russian economy at present exchange rates.

In other words, in one week's work, Japan managed the financial equivalent of wiping Russia off the world map.

Japan is so monumental as to be central to the health of the global economy — eight Japanese banks have assets worth more than the annual Russian gross domestic product — but for now it remains a mess, although an impressively large one.

A month after Prime Minister Keizo Obuchi took office, vowing "to deal with each issue in a dramatic, speedy way," Japan remains firmly in recession and largely paralyzed politically and economically.

The stock market fell 3.5 percent on Friday to its lowest level since 1986, while long-term bond yields tumbled to 1.07 percent. They are the lowest long-term interest rates in recorded history, having recently fallen below the previous record low rate of 1.125 percent offered by the Italian city-state of Genoa in 1619.

The markets are tumbling because for all of Mr. Obuchi's pledges, Japan is in even greater political gridlock than usual. Mr. Obuchi's governing Liberal Democratic Party has never been described as energetic, except by itself, but these days even its modest plans to revive the banking system are being blocked by opposition parties in the Diet.

The upshot is that the six bills that represent the centerpiece of the prime minister's plans to revive the economy remain stuck in maddening Diet hearings. Officials acknowledge that it will be difficult to win passage of the bills by the time Mr. Obuchi meets President Bill Clinton in New York around Sept. 21, and the delays and stalemate are further dispiriting markets here and around the world.

"In the long term," the Japanese situation is in some ways even worse than the Russian situation, particu-

larly given the size of the Japanese economy and the seeming inability to take really serious action," said M. Y. Yoshino, a Harvard Business School professor who is an expert on Japan and is now visiting Tokyo.

Professor Yoshino noted that for all the vast scale of the bad bank debts in Japan — perhaps five times the size of the entire Russian economy — there is little move toward dramatic restructuring to restore sustained economic growth.

Mr. Obuchi and his aides have been defending their conduct, but the defenses have only added to the impression that the government does not have the same sense of urgency as the rest of the world.

On Friday, for example, the prime minister was scolded in the Diet by a prominent economist, Yoshio Suzuki, who accused the government of adopting economic measures that were — he switched to English — "too little, too late." Mr. Obuchi, who by all accounts is exceptionally friendly and genial, grinned and replied that if anything, his efforts had been — here he switched to English — "too much, too fast."

Finance Minister Kiichi Miyazawa said after stocks tumbled Friday, "This isn't something to panic about. With the passage of time, the market will stabilize again."

Perhaps Mr. Miyazawa and Mr. Obuchi are trying to reassure the public, but to some it comes across as complacency. Officials have been trying to be reassuring ever since Japan's "bubble economy" burst around 1991, and yet declining asset values have steadily eroded more than \$5 trillion in wealth, a sum equivalent to one-fifth of global economic output.

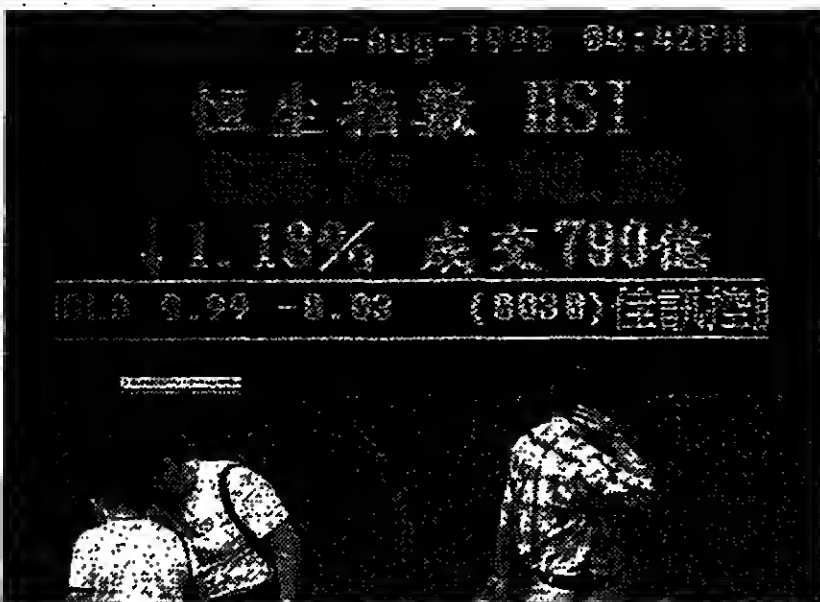
"Right now, this is the worst scenario," warned Masaru Takagi, an economist at Meiji University, referring to the approach by the government and the stalemate in Parliament. Mr. Takagi estimated that there is a 50 percent chance that the Obuchi government will collapse and be forced to call fresh elections, delaying any further moves to revive the economy.

"There is no time to waste, so we

See JAPAN, Page 13



Russian pensioners selling vodka and cigarettes in central Moscow on Friday, largely to supplement their very small retirement incomes.



A passer-by examining a panel displaying the closing Hang Seng index in Hong Kong on Friday. The index closed 1.13 percent lower despite massive buying of stocks by the territory's monetary authorities.

## Hong Kong Authorities Fail to Stem Stock Slide

Market Falls Despite \$8 Billion Spending Spree

By Mark Landler  
New York Times Service

HONG KONG — In a dramatic climax to two weeks of intervention in the stock market, Hong Kong's government spent massively Friday to prop up shares and foil speculators whom it accused of manipulating its market.

Traders estimated that the government spent more than \$8 billion in a frenzied buying spree that propelled the Hong Kong stock market to by far its largest trading volume in history. For all the money spent, the benchmark Hang Seng index still declined 93.23 points, or 1.13 percent, to 7,829.74.

Hong Kong's tough stance came in the wake of more bad economic news. The government released data confirming that Hong Kong had slipped into a recession in the second quarter, as the economy contracted 5 percent. It also projected that the economy would shrink 4 percent in 1998 — the first full year of contraction since Hong Kong began keeping records in 1961.

But it was the government's intervention that had analysts rattled. In a city where trading the Hang Seng is a favorite parlor game, the wild ride Friday left people slack-jawed. At moments during the morning trading session, the Hong Kong stock exchange seemed less a market than a giant clearance sale, with the government buying everything in sight.

"They did this at a time when there is gloom around the world," said Glenn

Lesko, the director of regional sales and trading at ABN-AMRO Securities in Hong Kong. "I think they ran into far more sellers than they expected."

Government officials, however, claimed victory. They said the intervention had stabilized the Hang Seng, even as markets across Asia, Europe and the United States were plummeting because of fears about the financial turmoil in Russia. That stymied traders who had taken short positions on shares and futures contracts on the bet that the Hong Kong market would tumble.

"The game plan of these speculators was to create extreme conditions in the money market," said Sir Donald Tsang, Hong Kong's financial secretary. "We have frustrated their plan. They can no longer expect that they can manipulate at will our stock and futures markets by attacking the currency."

Although the Hong Kong Monetary Authority has spent at least \$12 billion since it began buying shares and futures contracts on Aug. 14, Sir Donald said the government was willing to continue intervening. Hong Kong has already spent more than 10 percent of its \$100 billion in foreign reserves on the effort.

Tung Chee-hwa, the chief executive of Hong Kong, held open the possibility that China might support Hong Kong's campaign, with its \$140 billion worth of reserves. "The central government has said many, many times openly that they

See HONG KONG, Page 13

## Yeltsin, Confronting Critics, Goes on TV And Vows Not to Quit

By David Hoffman  
Washington Post Service

MOSCOW — President Boris Yeltsin, facing sharp challenges from Parliament and a barrage of criticism over the collapsing Russian economy, vowed Friday that he would not resign.

But he promised that he would not seek re-election when his term expired. In a 10-minute interview on state television, his first appearance since dismissing his cabinet and recalling Viktor Chernomyrdin as prime minister last Sunday, Mr. Yeltsin delivered a terse reply to those suggesting he might step down because of declining health and the financial crisis.

"I want to say that I'm not going anywhere, I'm not going anywhere," Mr. Yeltsin said, speaking slowly and clearly. "I'm not going to resign. I will work the full term as given to me by the constitution. New presidential elections will be held in 2000. But I will not run."

Mr. Yeltsin has in the past given conflicting signals about seeking another term.

He was responding to a spate of rumors that spread through Moscow on Thursday. The rumors suggested that Mr. Yeltsin was being urged by family members and some prominent financiers to step down after — and if — Mr. Chernomyrdin is confirmed by the Duma, the lower house of Parliament.

"First of all, to remove me, that is too difficult a matter," Mr. Yeltsin said. "Considering my character, this I think is impossible, impossible."

President Bill Clinton said Friday that Russia must take disciplined action to reform its economy and that the United States would stick by Moscow if it did so, Reuters reported.

"We should tell them that if they'll be strong and do the disciplined, hard things they have to do to reform their country, their economy and get through this dark night, that we'll stick with them," Mr. Clinton said in a speech on Martha's Vineyard, the Massachusetts island where he is on vacation.

He said the crisis demonstrated the interdependence of the world economy, which he said argued in favor of his visiting Moscow next week for a summit meeting. "What is the lesson from that? Well, I should go to Russia," Mr. Clinton said. "Anybody can come see you when you're doing well. I should go there."

On Friday, Mr. Yeltsin formally signed documents releasing Boris Nemtsov, the deputy prime minister, from his job. He resigned this week.

Mr. Yeltsin also released Anatoli Chubais from his duties as special envoy to the international financial institutions, which had been expected.

Mr. Chubais remains head of the electricity monopoly.

The ruble exchange rate to the dollar hovered at about 9.5 in street transactions across the country.

Russia effectively devalued the cur-

rency Aug. 17, igniting a currency, banking and finance crisis. Before the drop, the ruble had about 6.3 to the dollar.

Retail trade has been disrupted because of the gyrating exchange rates, and crowds of depositors have lined up at banks in a vain attempt to get their money back.

On Friday, the Central Bank of Russia took over the country's largest retail bank, SBS-Agro, and said it would be closed for two weeks.

The takeover of SBS-Agro Bank is the most dramatic move yet made by central bankers in the financial crisis.

The bank was headed by Alexander

See YELTSIN, Page 5

## Europeans Warn Russia: Push Reforms To Get Help

By Craig R. Whitney  
New York Times Service

PARIS — The finance ministers of four economically powerful West European countries warned Moscow on Friday that they would be willing to help Russia stabilize its economy only if the Kremlin leadership made changes long urged on it by the International Monetary Fund.

A letter by the four to the Russian prime minister-designate, Viktor Chernomyrdin, said the required changes included strict enforcement of tax laws, now largely ignored, and a monetary policy aimed at checking inflation.

The letter from the European members of the Group of Seven leading industrialized democracies was part of a concerted European effort to urge Mr. Chernomyrdin and President Boris Yeltsin out to give in to political pressures from the Communist opposition and abandon unpopular belt-tightening economic reforms.

"A return of confidence in financial markets will be possible only if Russia proceeds with its reform program in close relationship with the International Monetary Fund," said a statement on the letter released by the French Finance Ministry.

Public advice from European political leaders to Mr. Yeltsin and Mr. Chernomyrdin remains the same: Without radical changes in the Russian financial and economic system, more

See EUROPE, Page 5



Viktor Chernomyrdin, the acting prime minister of Russia, gesturing in a meeting Friday with President Petar Stoyanov of Bulgaria in Moscow.

## Can Russia's Communists Join With Its Capitalists?

By Michael R. Gordon  
New York Times Service

MOSCOW — In his drive to consolidate his power, Viktor Chernomyrdin has embarked on the first attempt since the fall of the Soviet Union to negotiate a sharing of power between the remains of the Communist Party and the tycoons who rose from the ashes of socialism.

Mr. Chernomyrdin has sent clear signals that he wants to form a coalition government that embraces both tycoons and Communists. But the prospects for an effort to reconcile such opposing forces are unclear, and the politics of Mr. Chernomyrdin's coalition-building is at odds with the economic crisis in which Russia finds itself.

For instance, how can Mr. Chernomyrdin be all things to all people and still make the tough decisions that will enable Russia to extract itself from

the rapidly escalating economic crisis? "This is one of the most difficult questions for him," said Boris Nemtsov, a reform-minded former Kremlin aide who was part of the government that was dismissed this week.

"On the one hand, he has to organize a strong and professional government to

avoid big failures and big mistakes," Mr. Nemtsov added. "On the other hand, he has to compromise with the Communists."

There is no disputing the short-term political logic behind Mr. Chernomyrdin's hints about a coalition government.

Mr. Chernomyrdin's appointment as prime minister needs the approval of the Communist-dominated Parliament. To establish himself as a figure of national reconciliation — and advance his

See CHERNOMYRDIN, Page 5

## For Kohl in Brandenburg: Concerto of Fury and Boos

Hecklers at Rally Angry Over Decline of East

By William Drozdiak  
Washington Post Service

BRANDENBURG, Germany — The boos and whistles began raining down on Helmut Kohl as soon as he mounted the stage in the market square of this dilapidated industrial city.

When the chancellor of German unity began reciting a litany of his achievements, the catcalls nearly drowned out his amplified voice.

"Kohl must go! Kohl must go!" chanted many protesters in the crowd of 1,000 people, who had come to a cam-

paign rally Thursday night to hear Europe's longest-serving leader make his pitch for an unprecedented fifth term after 16 years in office.

As police officers in riot gear shoved unruly demonstrators behind barricades, other spectators jeered and waved signs saying, "Thanks for 20 percent unemployment" and "Enough with your broken promises."

As he tours Eastern Germany counting votes for the national election next month, Mr. Kohl is confronting an angry mood of disillusionment that has jeopardized his hopes for another comeback victory.

Although some polls indicate that he has narrowed the gap with the Social Democratic rival, Gerhard Schroeder, to as little as three points, the hostility that Mr. Kohl encounters at nearly every stop in the East suggests he is making little or no headway in recapturing the allegiance of Germany's most fickle swing voters.

Four years ago, Mr. Kohl came from 18 points down to win re-election with the help of an avalanche of votes from Easterners still grateful to the father of German unity for liberating them from the bleak repression they endured under the Communist authorities of the German Democratic Republic.

The GDR collapsed in 1990 along with other Soviet-bloc regimes and its five Eastern regions, along with Berlin, were folded into the Federal Republic of Germany.

But rampant despair over widespread joblessness and embittered dismay with the capitalist "elbow" society has compelled many Eastern voters to turn against Mr. Kohl with a vengeance.

Many politicians and commentators now believe Mr. Kohl's Christian Democrats could tumble to third place in the East, behind Mr. Schroeder's Social Democrats and the reformed Communists known as the Party of Democratic Socialism.

"Kohl will get clattered in the East," said Heidi Knake-Wenzel, a PDS member of Parliament. "He promised to give us flourishing landscapes and to cut unemployment in half, but things have only gotten worse."

See KOHL, Page 5

## AGENDA

### Wall Street Remains Jittery Over Russia

U.S. stocks fell for a third straight day on signs that the Russian financial crisis and slowing growth in other emerging markets are hurting U.S. corporate profits.

"With Russia having problems, some people are saying, 'Are there dominoes here? Is there a Latin American country that's next?'" one trader said.

But most major Latin American bourses bounced back after sharp de-

clines Thursday, while most of the major European markets fell. Eastern Europe was particularly hard hit.

Among U.S. stocks, on-line directories, retailers and search engines were among the biggest decliners on Wall Street.

Analysts said technology stocks were hit hard because many computer companies have considerable exposure to the various fiscal crises overseas. Page 9.

### Gadhafi Rebuffs U.S.

Colonel Moammar Gadhafi said Friday that Libya rejected a demand from the United States to hand over two Libyans immediately to be tried in the Netherlands for the Lockerbie bombing of 1988. "We are not ready to send human beings like that, without guarantees," Colonel Gadhafi said.

Earlier article, Page 2

Books Page 8.

Crossword Page 18.

Opinion Page 6.

Sports Pages 18-19.

The Internet Page 7.

The IHT on-line www.ih.com

The Dollar		
	Friday 4 P.M.	previous close
DM	1.759	1.7557
Yen	141.575	141.8
FF	5.896	6.025
Pound	1.8828	1.665

The Dow		
	Friday close	percent change
Dow	714.31	-1.40%
S&P 500	75.44	-1.48%
Nasdaq	48.85	-2.77%

Newest Prices		
Belgium	1,000 BD	55 c
Cyprus	C 2 1.00	1290 Naira
Denmark	14.00 DK	1.250 CR
Finland	12.00 FM	10.00 CR
Gibraltar	£ 0.85	Rep. Ireland £ 1.00
Great Britain	£ 0.80	Saudi Arabia £ 10 SF
Egypt	SE 5.50	S. Africa R12 + VAT
Jordan	1.250 JD	U.A.E. 10.00 Dh
Kenya	K. SH. 160	U.S. Mil. (Eur.) \$ 1.20
Kuwait	700 Kls	Zimbabwe Zm\$40.00

9 770294 805063



# 17 Allies of Former Colombia President Seek Asylum in Europe

By Diana Jean Schemo  
New York Times Service

BOGOTA — As a court investigation opens into a 1996 decision by Congress to clear the president at the time, Ernesto Samper, of criminal charges, a group that championed him in Congress is trying to obtain asylum in Europe.

In meetings over several weeks, 17 senators and deputies, led by Martha Catalina Daniels, mapped a plan to request asylum in Germany, Britain, France and Italy on the ground of political persecution. None of the countries has an extradition treaty with Colombia.

Miss Daniels left for Germany with her two youngest children last week after reportedly bidding farewell to her

husband, Hernando Rodriguez, in a room at a police training center that has been turned into a jail for public officials gone wrong.

Mr. Rodriguez landed in jail after stealing \$10 million when he was in charge of privatizing Colpuertos, a public river-port administration.

On her way out of the country, the newspaper El Tiempo reported, Miss Daniels gave farewell hugs to friends who have been jailed: Rodrigo Garvito, a former congressman, and David Turbay and Rodolfo Gonzalez, two of six former Colombian controllers who have been imprisoned.

Mr. Samper's supporters had been more accustomed to diplomatic postings for family and friends, control over

patronage jobs and government largesse in their districts.

Their troubles began when the court made its decision days after Andres Pastrana won the presidency on June 21. He took office on Aug. 21.

It was Mr. Pastrana who had made public taped conversations of Mr. Samper's 1994 campaign soliciting contributions from drug lords in exchange for promises of lenient treatment.

Two years after a large majority of Congress voted to clear Mr. Samper of charges that Colombian drug dealers had bankrolled his election, the Supreme Court said it would determine whether lawmakers had ignored "overwhelming evidence" of his guilt, and whether any of them profited from the decision. If

found guilty, their sentences could range from six months to eight years.

Under Mr. Samper, the public budget and patronage machine was openly used to dole out favors to figures who could keep him in office, along with their families and friends.

Members of Congress have been meeting to plan a counterattack. Senator Carlos Alfonso Lucio, a former deputy who has publicly supported measures to benefit drug traffickers, was designated to present the group's case to Amnesty International and the United Nations Commission on Human Rights, El Tiempo said.

In a telephone interview, Mr. Alonso said he had not yet determined whether to seek refuge in Europe, but would

most likely decide as he saw the course of the investigation.

"It's a possible answer," he said in the interview Thursday.

Enrique Parejo, a former justice minister who brought one of several public complaints that prompted the court's investigation, acknowledged that he was surprised at the decision to take up the case after such a long period and at the idea of Mr. Samper's supporters seeking asylum.

"It's ridiculous," said the former minister, who survived an assassination attempt by drug dealers in the late 1980s. "They're doing the same thing they did under Samper: using the laws to help themselves and erode the image of Colombia."

## BRIEFLY

### Claims by Slaves Of Nazis Backed

FRANKFURT — The leader of German Jewish community, Ignatz Bubis, urged the government on Friday to at least symbolically back an industry initiative to establish a fund for Nazi slave laborers.

Faced with the threat of lawsuits of the kind that dogged the Swiss banks, German industry has proposed paying into a government-sponsored fund that would compensate former slave workers.

Chancellor Helmut Kohl has rejected reopening restitution coffers. Germany has paid more than 100 billion Deutsche marks (\$55.3 billion) in reparations to Nazi victims. (AP)

### Pius XII's Actions For Jews Disputed

LOS ANGELES — A formal Jewish answer to a Vatican document on the Holocaust rejects its assertion that the wartime Pope, Pius XII, saved hundreds of thousands of Jewish lives.

The response also says the Roman Catholic Church must bear some responsibility for Hitler's war against the Jews.

The document was prepared by the International Jewish Committee on Inter-Religious Consultations, the Jewish group that conducts a formal dialogue with the Vatican. It is a long-awaited response to the controversial document the Holy See issued last March, "We Remember: A Reflection on the Shoah (Holocaust)." (Reuters)

### For the Record

Vibrant and smiling, President Vaclav Havel of the Czech Republic left the Central Military Hospital in Prague on Friday after intestinal surgery in late July followed by complications that threatened his life. (Reuters)

Jakob Kellenberger, the Swiss secretary of state for foreign affairs, has been named to head the International Committee of the Red Cross beginning in 2000, a statement issued in Geneva said Friday. He will succeed Cornelio Sommaruga, who has been president since 1987. (Reuters)

## Libya Demands Talks On Pan Am Trial Rules

Compiled by Our Staff From Dispatches

TUNIS — The Libyan government on Friday called on the United States, Britain and the Netherlands to enter into negotiations on judicial procedures for the trial in the Netherlands of two Libyan suspects in the Lockerbie bombing.

The Foreign Ministry, in a strongly critical response to a UN Security Council resolution adopted on Thursday, backing the U.S.-British plan for the trial, said Libya was not committed by the agreement between Britain and the Netherlands attached to the resolution. It called for negotiations "directly or through the UN secretary-general or any other party agreed on."

The United States has said that the Lockerbie trial plan is not negotiable.

The resolution, adopted unanimously by the Security Council, would suspend sanctions against Tripoli once it turns over the two suspects in the fatal bombing of Pan Am Flight 103. It threatens additional sanctions if the intelligence agents fail to appear for the trial before a three-judge panel in the Netherlands.

The two suspects, Abdel Basset Ali Megrahi and Lamen Khalifa Fhimah, are accused of planting a bomb aboard the flight, which exploded over Lockerbie, Scotland, on Dec. 21, 1988, killing 270 people.

The Libyan ambassador to the United Nations, Abuzed Omar Doria, has stressed that Libya "accepts that the two suspects be tried in a Scottish court in the Netherlands by Scottish judges according to Scottish law." But he harshly criticized the six-year-old UN sanctions and the short amount of time Libya was given to respond to the U.S.-British proposal for the trial. (Reuters, AP)

### Gadhafi Worries About 'Tricks'

Barbara Crossette of The New York Times reported earlier:

In an interview Thursday with CNN from Tripoli, the Libyan leader, Moammar Gadhafi, seemed obsessed with fears of U.S. and British trickery.

"I am not sure America and the U.K. have good intentions to solve this problem," Colonel Gadhafi said in English. "I expect mines. I expect tricks, conditions, to make the trial impossible."

When asked if he was stopping short of a promise to turn over the two Libyan intelligence agents, he said, "Negotiation must be done."

He warned against unspecified provisions in the UN resolution, calling them unacceptable.

The resolution would suspend sanctions imposed on Libya in 1992 and 1993. Under them, international air travel to and from Libya is barred, and the country is not permitted to import arms or spare parts for the oil industry.

At the Middle East Institute in Washington, Mary-Jane Deeb, editor of the Middle East Journal, said Mr. Gadhafi's appearance in a wheelchair had reignited interest in reports that his motorcade was shot at during a trip through the desert a few months ago.

Libya at the time said nothing had happened, but then Colonel Gadhafi "turned up in hospital saying that he had been playing soccer and that he had to have hip surgery or something of the sort," Ms. Deeb said. "That was a couple of months ago, and I would assume by now that he should have been on his own two feet."

Ms. Deeb, a professor of international relations at American University and the author of two books on Libya, said Colonel Gadhafi's repeated references to Western tricks and pitfalls reflected not only his fears that too much information would emerge in a trial but also that his intelligence agents could find themselves whisked off to Washington as captives.

"He lives in a world of conspiracies and fears and anxieties," she said. "He is a despot in his own country, and that's what he would probably do himself."



ONE YEAR LATER — A woman outside Kensington Palace adding to bouquets left by mourners one year after the death of Diana, Princess of Wales.

## Greece Balks at Ban On Yugoslav Flights

Agence France-Press

BRUSSELS — Implementation of a proposed European Union ban on the Yugoslav airline may be delayed. Greece said Friday for more time to consider the ban, diplomats said.

The ban on flights within member countries by JAT, the Yugoslav airline, was proposed as a way of demonstrating disapproval of the Yugoslav government's suppression of separatism in the Serbian province of Kosovo.

Reports earlier Friday said that JAT's director, Zika Petrovic, would demand that Belgrade implement tit-for-tat bans on EU flights into Yugoslavia.

But as a meeting Friday of the 15 EU ambassadors in Brussels adjourned, it appeared unlikely that any ban would go into effect. Greece was resisting pressure from other member states to approve the ban.

Greece's call for more time to study possible consequences of the ban was met with impatience from the other 14 members.

Britain, which had earlier this week raised objections to the ban on contractual grounds, supported the idea during Friday's meeting.

Greece has until the end of the month to give its approval of the ban in writing. If it does not, a special meeting of European Union foreign ministers could approve the boycott by a majority.

The European Union is expected soon to confirm two measures: a freeze on bank accounts held in member countries by Yugoslav companies, and the re-establishment of a visa requirement for Yugoslav visitors.

■ Villages Reported Shelled Near Kosovo's Capital

The pro-Albanian Kosovo Information Center said that Serbian forces on Friday shelled three villages west of Pristina, the provincial capital. The Associated Press reported from that city.

The Albanian center said many houses had been burned in Suva Reka, 50 kilometers (30 miles) southwest of Pristina. Eleven settlements north of Suva Reka were completely destroyed, the center said. Its reports could not be independently verified.

## Novice Climbers Urged to Stay Off Mont Blanc Now

The Associated Press

GRENOBLE, France — French authorities on Friday urged less-experienced climbers to stay away from Mont Blanc after at least 14 people died in a week, falling to their deaths from the rain-slicked face of Europe's highest mountain.

"Climbers who don't have great experience with how ice develops and with cramming techniques must currently avoid scaling Mont Blanc," Jean-Yves Claudon, assistant chief of mountain guard in Chamonix, said by telephone.

High-altitude rains last week left a coat of ice on the mountain, leaving some usually simple routes highly treacherous. Authorities said 14 climbers from around Europe, including a German father and son, suffered fatal falls.

Mont Blanc, on the border of France, Italy and Switzerland, rises to 4,800 meters (15,750 feet).

## France Assails Accusations That UN Buckled to Iraq

Reuters

PARIS — France denounced on Friday a letter by Scott Ritter, a United Nations weapons inspector who resigned, charging that the United States and the United Nations had submitted to Iraq's defiance of its disarmament commitments.

"The fact of this letter being made public was untimely and its accusations are unfounded," said a Foreign Ministry spokeswoman, Anne Gazeau-Secret.

"These accusations are not true," she said at a news briefing, stating that all members of the UN Security Council and Secretary-General Kofi Annan unanimously supported the work of the United Nations Special Commission, known as UNSCOM.

France initially declined comment on a letter submitted Wednesday in which the 37-year-old former U.S. Marine an-

nounced his resignation from the Special Commission, which is charged with monitoring Iraqi disarmament under the 1991 cease-fire agreement.

Mr. Ritter's letter said that UNSCOM was not the organization he joined nearly seven years ago, "hobbled as it is by unfettered Iraqi obstruction and onerous Security Council enforcement of its own resolutions."

The Security Council was "no longer willing and/or capable of the implementation of its own law," Mr. Ritter asserted.

He resigned after Iraq demanded on Aug. 5 that UNSCOM be restructured to reduce what it called excessive U.S. influence over its operations.

At that time, Iraq began refusing to cooperate with UN inspection teams, preventing them from carrying out most of their duties, including checks of suspected weapons sites.

On Aug. 6, the Security Council denounced Iraq's action as "totally unacceptable." But Baghdad has shown no signs of reversing its position and the United States has not threatened military force, as it did in the past.

France has long advocated UNSCOM reforms that could ease tensions with Baghdad and accelerate a lifting of United Nations sanctions, including a ban on oil sales that was imposed after Iraq's invasion of Kuwait in 1990.

■ Hearings Planned in Congress

Earlier, Judith Miller of The New York Times wrote from Washington:

Senior Republicans on the House and Senate foreign affairs committees said Thursday that they would hold hearings to determine whether the Clinton administration had weakened inspection efforts by the UN Special Commission directed to disarm Iraq of biological,

chemical and nuclear weapons.

Senator Sam Brownback, Republican of Kansas, who is chairman of the Senate Foreign Relations subcommittee on Near Eastern and South Asian Affairs, and Representative Benjamin Gilman, Republican of New York, chairman of the House Committee on International Relations, said they were deeply troubled by the Ritter allegations.

Several administration officials strongly denied Mr. Ritter's assertions.

Secretary of State Madeleine Albright insisted that the United States was "the foremost supporter" of the Special Commission. "We believe it is absolutely essential for Saddam Hussein to come clean in terms of weapons of mass destruction," she said.

But Mr. Brownback and a spokesman for Mr. Gilman said their hearings would explore whether the administration's actions matched its rhetoric.

## Monday

### HEALTH/SCIENCE

With a wide range of topics from technology to space exploration, from recent medical discoveries to how the human brain functions, this in-depth feature brings up-to-date information on scientific and physical developments in the intriguing worlds of health and science.

Every Monday in the International Herald Tribune.

**INTERNATIONAL HERALD TRIBUNE**  
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST  
THE WORLD'S DAILY NEWSPAPER

FOR INVESTMENT INFORMATION  
Read THE MONEY REPORT every Saturday in the IHT.

## TRAVEL UPDATE

### Northwest Strike Talks Continue

MINNEAPOLIS (AP) — Northwest Airlines and its pilots worked Friday to avert a weekend strike that threatens to shut down the fourth-largest U.S. airline.

With weeks of warning leading up to the pilots' strike deadline of 0400 GMT Saturday, most passengers had already made other arrangements, and Northwest's hub airports were eerily quiet.

Northwest and its pilots were negotiating issues of pay, job security, retirement and work rules. Both sides are under a self-imposed news blackout on the status of the talks.

### Warsaw Cracks Down on Trucks

WARSAW (AFP) — In a bid to reduce traffic jams, trucks weighing more than 16 tons will be barred from the Polish capital except between 6 and 10 P.M. Vehicles supplying the city will be exempt.

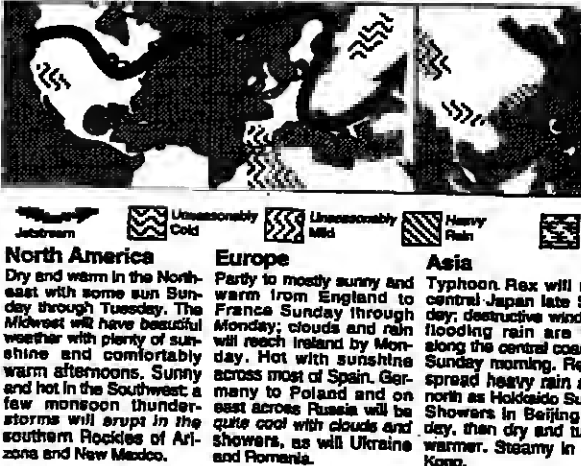
Warsaw is on one of Europe's major road networks and has experienced increased traffic in recent years. Gridlock resulted this year when two bridges over the Vistula River were closed for repairs.

The U.S. government warned tourists older than 65 to consult a doctor before traveling to Alaska and Yukon Territory, Canada, where a summer flu outbreak has sickened nearly 2,000 people and killed two. (AP)

**UNIVERSITY DEGREE**  
BACHELORS • MASTERS • DOCTORATE  
For Work, Life and Academic Experience  
Through Convenient Home Study  
(800) 597-1909 EXT. 23  
http://www.pwu-hi.edu  
Fax or send detailed resume for  
FREE EVALUATION  
Pacific Western University  
1210 Avall Street, Dept. 23  
Honolulu, HI 96814-4922

## WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.



Europe			
City	Today	High	Low
London	20/22	22	18
Paris	18/20	20	16
Rome	22/24	24	20
Moscow	10/12	12	8
Stockholm	12/14	14	10
Oslo	14/16	16	12
Amsterdam	16/18	18	14
Brussels	18/20	20	16
Frankfurt	20/22	22	18
Munich	22/24	24	20
Berlin	24/26	26	22
Warsaw	16/18	18	14
Prague	18/20	20	16
Vienna	20/22	22	18
Zurich	22/24	24	20
Geneva	24/26	26	22
Basel	26/28	28	24
St. Petersburg	10/12	12	8
Stockholm	12/14	14	10
Oslo	14/16	16	12
Amsterdam	16/18	18	14
Brussels	18/20	20	16
Frankfurt	20/22	22	18
Munich	22/24	24	20
Berlin	24/26	26	22
Warsaw	16/18	18	14
Prague	18/20	20	16
Vienna	20/22	22	18
Zurich	22/24	24	20
Geneva	24/26	26	22
Basel	26/28	28	24

### Asia

City	Today	High	Low
Tokyo	22/24	24	20
Seoul	24/26	26	22
Beijing	26/28	28	24
Shanghai	28/30	30	26
Manila	30/32	32	28
Bangkok	32/34	34	30
Colombo	34/36	36	32
Delhi	36/38	38	34
Calcutta	38/40	40	36
Madras	40/42	42	38
Bombay	42/44	44	40
Jaipur	44/46	46	42
Chennai	46/48	48	44
Hyderabad	48/50	50	46
Coimbatore	50/52	52	48
Thiruvananthapuram	52/54	54	50
Trivandrum	54/56	56	52
Kochi	56/58	58	54
Calicut	58/60	60	56
Thiruvananthapuram	60/62	62	58
Trivandrum	62/64	64	60
Kochi	64/66	66	62
Calicut	66/68	68	64
Thiruvananthapuram	68/70	70	66
Trivandrum	70/72	72	68
Kochi	72/74	74	70
Calicut	74/76	76	72
Thiruvananthapuram	76/78	78	74
Trivandrum	78/80	80	76
Kochi	80/82	82	78
Calicut	82/84	84	80
Thiruvananthapuram	84/86	86	82
Trivandrum	86/88	88	84
Kochi	88/90	90	86
Calicut	90/92	92	88
Thiruvananthapuram	92/94	94	90
Trivandrum	94/96	96	92
Kochi	96/98	98	94
Calicut	98/100	100	96

North America			
City	Today	High	Low
New York	22/24	24	20
Los Angeles	24/26	26	22
Chicago	26/28	28	24
San Francisco	28/30	30	26
Seattle	30/32	32	28
Portland	32/34	34	30
San Diego	34/36	36	32
Phoenix	36/38	38	34
Las Vegas	38/40	40	36
Albuquerque	40/42	42	38
Denver	42/44	44	40
Salt Lake City	44/46	46	42
Bozeman	46/48	48	44
Butte	48/50	50	46
Helena	50/52	52	48
Billings	52/54	54	50
Great Falls	54/56	56	52
Missoula	56/58	58	54
Bozeman	58/60	60	56
Butte	60/62	62	58
Helena	62/64	64	60
Billings	64/66	66	62
Great Falls	66/68	68	64
Missoula	68/70	70	66
Bozeman	70/72	72	68
Butte	72/74	74	70
Helena	74/76	76	72
Billings	76/78	78	74
Great Falls	78/80	80	76
Missoula	80/82	82	78
Bozeman	82/84	84	80
Butte	84/86	86	82
Helena	86/88	88	84
Billings	88/90	90	86
Great Falls	90/92	92	88
Missoula	92/94	94	90
Bozeman	94/96	96	92
Butte	96/98	98	94
Helena	98/100	100	96

**A two-month trial subscription.**  
**Save up to 60%**

Try a special, low cost 2-month trial subscription to the International Herald Tribune to enjoy delivery to your home or office every morning AND save up to 60% off the newsstand price.

COUNTRY	CURRENCY	2 MONTHS NEWSSTAND PRICE	2 MONTHS OFFER PRICE	SAVING OFF COVER PRICE
AUSTRIA	ATP	1.45	50	55
BELGIUM-LUXEMBOURG	BEF	3.20	1.50	50
CANADA	CAN	7.50	3.00	50
FINLAND	FIM	62.4	30	50
FRANCE	FF	520	240	50
GERMANY	DEM	12.50	6.00	50
GREAT BRITAIN	GBP	27	13	50
HONG KONG	HKD	27	13	50
INDONESIA	IDR	2,000	1,000	50
ITALY	ITL	145,000	70,000	50
JAPAN	YEN	2,000	1,000	50
MALAYSIA	MYR	20	10	50
NETHERLANDS	FL	120	60	50
NORWAY	NOK	130	65	50
SINGAPORE	S\$	16.1	8.0	50
SPAIN	PTA	166	83	50
SWEDEN	SEK	122	61	50
SWITZERLAND	CHF	122	61	50

Yes, I would like to start receiving the International Herald Tribune.  
☐ My check is enclosed (payable to the IHT)  
Charge my: ☐ Amex ☐ Diners ☐ VISA ☐ Access ☐ MasterCard ☐ Eurocard  
For US and Asian prices, credit cards will be charged in French Francs at current rates.  
Card No. \_\_\_\_\_ Exp. Date: \_\_\_\_\_  
Signature: \_\_\_\_\_  
For business orders, indicate your VAT No. (IHT VAT Number FR7473021126)  
Mr/Ms/Ms Family Name: \_\_\_\_\_  
First Name: \_\_\_\_\_ Job Title: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
City/Code: \_\_\_\_\_

Country: \_\_\_\_\_  
Home Tel No. \_\_\_\_\_ Business Tel No. \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_  
I get this copy of the IHT at: ☐ home ☐ hotel ☐ office ☐ other \_\_\_\_\_  
If I do not wish to receive information from other carefully screened companies, please tick this box: ☐ No, please do not.  
Mail or Fax to: International Herald Tribune  
EUROPE, MIDDLE EAST & AFRICA  
EUROPE: 181 Ave. Charles de Gaulle, 92521 Neuilly-sur-Seine, France  
Fax: +33 1 41 43 92 10, E-Mail: [ihtrib@wanadoo.fr](mailto:ihtrib@wanadoo.fr)  
THE AMERICAS  
850 Third Avenue, New York, N.Y. 10022-6275, USA  
Fax: +1 212 755 8752, Tel (toll free) 1-800-882-2884  
1201 K. Wok Center, 191 Ave Road, North Point, Hong Kong  
Fax: +852 2922 1199, Tel: +852 2922 1171  
E-Mail: [sub@ihtrib.com](mailto:sub@ihtrib.com) - Asia: [sub@ihtrib.com](mailto:sub@ihtrib.com) - Internet: [www.ihtrib.com](http://www.ihtrib.com)  
Offer valid for new subscribers only.



# Muslims in U.S. Report Progress in Battling a Catchall Terrorism Label

By Teresa Watanabe  
Los Angeles Times Service

LOS ANGELES — In the weeks since the bombings of American embassies in Kenya and Tanzania, Muslim organizations in the United States have produced a major public relations offensive designed to combat the public perception that Islam is synonymous with terrorism.

Facing statements and urgent messages to the White House and media, delivering lectures, calling news conferences and protests, alerting members of the Muslim community on how to protect themselves in case of violence, the groups have become a significant presence in the American national debate, from which Muslim voices were largely absent until recently.

So far, they can report slow, but steady, progress. In 1995, after the federal office building in Oklahoma City was bombed, an act that many in the media initially, and falsely, blamed on Arab terrorists, a Muslim group documented 220 cases of violence and harassment.

This time, by contrast, Muslim groups say few such incidents have surfaced

even though U.S. officials have blamed the embassy bombings on a terrorist organization headed by Osama bin Laden, a Saudi businessman who says his anti-American actions are guided by his Islamic faith.

Moreover, in a major success for the groups, President Bill Clinton, in his address to the nation announcing U.S. retaliation against Mr. bin Laden, made a point of emphasizing that Islam does not condone terrorism.

Wednesday, in the latest element of their campaign, Muslim protesters held a press conference to attack a new 20th Century Fox film, "The Siege," for what they criticized as dangerously negative stereotypes of their religion.

The sizable media contingent, including 13 television cameras, and advance coverage of their grievances by three newspapers nationally illustrated the Muslim groups' growing success.

Organizations such as the Muslim Public Affairs Council in Los Angeles and the Council on American-Islamic Relations in Anaheim, California, are at the center of the campaign, sending articles to newspapers and issuing reports and position papers on everything from "Islam in

Central Asia" to "Voice of American Muslims and its Critical Absence in the Middle East Peace Process."

The organizations themselves are controversial in some circles. Critics have accused them of serving as fronts for Middle Eastern groups, such as Hamas and Hezbollah, that the government considers terrorist organizations.

Steven Emerson, a writer based in Washington, recently said in a Wall Street Journal article, for example, that the Muslim Public Affairs Council had "repeatedly defended Hezbollah and other Islamic terrorist movements."

Muslim civil rights groups "in fact operate as propaganda and political arms of Islamic fundamentalist movements," Mr. Emerson wrote.

Such assertions are "astounding" and "baseless," said Salam Marayati, executive director of the Muslim Council.

Both his organization and the Council on American-Islamic Relations insist that they are funded by private donations, mainly from American Muslims. The public affairs council says it specifically refuses to accept money from foreign governments and survives on an annual budget of \$240,000 for its Los

Angeles and Washington offices by using volunteers and summer interns.

On a recent afternoon, at his office in the Islamic Center of Southern California, Mr. al-Marayati whirled about as he supervised an avalanche of staff projects.

"Hebrew Union College, Oct. 13. Can you put that on the calendar, please?" he yelled to his two summer interns, Sadiya Nasir, 19, an international relations major at the University of Southern California, and Wajma Ahmad, 22, a writing major at the University of California, San Diego.

Mr. al-Marayati and Hussam Ayloush of the Council on American-Islamic Relations' office in Anaheim are two of the Islamic community's most public faces.

Both men are in their 30s, former engineers with U.S. citizenship, articulate English and engaging personalities.

Ask "Why have Muslim fundamentalists moved toward terrorism against the United States?" and Mr. Ayloush promptly questions the question.

"Most Muslim fundamentalists do not resort to terrorism," he says, with the air of a person who has delivered this

explanation many times. "The ones who resort to terrorism are not Muslims; basically, they are extremists in their own right. Anyone who promotes terrorism is a terrorist, period. He is not an Islamic terrorist or Christian terrorist."

That many Americans view Islam as a code word for terrorism is at the top of Mr. al-Marayati's list of public misperceptions he aims to correct.

Others: "We're wife-beaters, women oppressors. We're Arabs." In fact, African-Americans compose the largest single group of American Muslims, at 40 percent, according to the Council on American-Islamic Relations, and Asians compose the largest group internationally.

"We're a sect, the anti-Christ," he continued in his list. "We're an Eastern faith, like Hinduism or Buddhism, as opposed to a Western faith. We're anti-Semites, even though we're Semites ourselves."

"It's a long list," Mr. al-Marayati said with a weary smile. "The hardest part is to prove you're normal."

Such portrayals were the target of the protest at the 20th Century Fox studios. Although the stream of speakers said

Fox had met with the community and softened some of the film's most egregious images, their demands to change the film's basic plot line were rejected.

The film, which stars Denzel Washington, Bruce Willis, Annette Bening and Tony Shalhoub, centers on a bombing plot by Muslims in New York that provokes the U.S. military to declare martial law and make mass arrests of Muslims.

But the news conference itself underscored the steady inroads that Muslims are making in getting their message across.

Aside from the sizable media response, the event also featured supporters from the Latino and African-American communities.

The bridge-building to other ethnic, political and religious organizations, backers say, is paying off in integrating the Muslim community into mainstream American society. When Mr. al-Marayati began his job a decade ago, he said, it was a fight even to get his calls returned.

"We've made a lot of progress," he said. "It's been literally one brick at a time."



A man struggling through water in Salvo, North Carolina, after his car stalled.

## Storm Picks Up New Steam

Hurricane Hits Virginia and Makes Its Way North

THE ASSOCIATED PRESS  
VIRGINIA BEACH, Virginia — Rejuvenated by warm ocean waters, a hurricane that had drenched parts of North Carolina regained strength Friday and battered the coast of Virginia. Winds of 75 miles (120 kilometers) per hour snapped ship mooring ropes and left hundreds of thousands of people without electricity.

Heavy wind and rain flooded roads, sent waves crashing over this resort city's beachfront boardwalk and toppled trees and power lines.

A 12-year-old girl was killed overnight in Currituck County, North Carolina, when a tree fell on her house. There was only one other death attributed to the storm — in

Myrtle Beach, South Carolina, where a man was electrocuted while checking his generator after his apartment lost power.

In Norfolk, wind peeled the roofs off a 30-unit apartment building and a three-story motel. Several other buildings were damaged, and more than 250 trees were reported down. The 18-mile Chesapeake Bay Bridge-Tunnel connecting Virginia Beach to the Eastern Shore peninsula was closed.

The hurricane, designated Bonnie, was expected to continue moving along the Atlantic coast before veering by southern New England. A tropical storm warning was in effect from North Carolina up to Plymouth, Massachusetts. Coastal residents were told to prepare for rain and high wind.

## Women Disdain Clinton, but They Still Back Him

By Jamny Scott  
New York Times Service

WASHINGTON — There is something startling about the vocabulary that women who have supported President Bill Clinton use in conversations about him — phrases like "skirt chaser," nouns like "languishing," "idiot" and "jerk," adjectives like "feckless," "sleazy," "self-indulgent" and "gross."

But it is equally striking that so many of the same women want Mr. Clinton to remain in office. They say he has been a friend to women.

Even now, they could imagine voting for him again, they say, if he were constitutionally eligible to run.

In dozens of interviews in which women across the country were asked how they felt about Mr. Clinton in light of the details of his sexual entanglement with Monica Lewinsky, many struggled to reconcile the person they had believed he was with the disturbing details of what they now know he did.

That is, how to reconcile the man who appointed Ruth Bader Ginsburg to the Supreme Court and named the first female attorney general and secretary of state with the man who has admitted philandering in the White House with an intern.

The reconciliation is not coming easily. "I've been surprised by how profoundly this has shaken me," said Nell Minow, an activist and mother of two who lives in McLean, Virginia.

"On behalf of the 24-year-old girl that I used to be and the 46-year-old wife that I am now, I feel very shaken and

betrayed on a personal level."

The high-stakes soap opera broadcast live from Washington has touched deep feelings not only about Mr. Clinton but also about a set of issues many women know well — marital infidelity of middle-aged men, degree of responsibility of younger women and appropriate reaction of a wife.

It has become what Ms. Minow called "one of the rare, Rorschach-test moments that come along that really define a lot of inner conflicts" — just as the O.J. Simpson case seemed to define where people stood on race issues and as the Anita Hill case did on sexual harassment.

In interviews, women seemed simultaneously to reveal feelings about politics and marriage, about wayward presidents and husbands.

They were appalled, they were embarrassed, they wished they did not know. They wanted him to stay, they wanted him out, they were disappointed. How could he be so stupid?

"I think it's gross," said Anne Bernays, a 67-year-old novelist in Cambridge, Massachusetts. "And sleazy and self-indulgent and risky," she added. "Above all, risky."

Many had little sympathy for Ms. Lewinsky. They called her a groupie, silly and star-struck, in way over her

head. Others saw her as a victim.

As for Hillary Rodham Clinton, some admired her outward composure over the past two weeks, while a few wished she would just get angry.

"I have respected Hillary enormously — up until yesterday," said Letty Cottin Pogrebin, an author and a founding editor of Ms. magazine, the day after the Clinton family departed on vacation, holding hands.

A majority of the women interviewed voted for Mr. Clinton.

Ever since his first presidential campaign, women have strongly supported Mr. Clinton. In the 1996 election,

the gender gap among Clinton voters was 11 points.

But in a televised address Aug. 17, Mr. Clinton admitted in public for the first time that he had had an "inappropriate" relationship with Ms. Lewinsky.

It was sexual contact between a married president and a subordinate not much older than his daughter. To many women, terms like "romance" do not quite fit.

Some described Mr. Clinton's behavior as sadly pathological. Others used terms like "tawdry" and "disgusting."

But most of the women interviewed said they still wanted him as president, despite everything.

## Away From Politics

• Young, poor women are being infected with the AIDS virus at a higher rate than their male counterparts, the Centers for Disease Control and Prevention reported. A seven-year study looked at tests of 350,000 youths in the federal Jobs Corps program, which provides job training to poor youths and high school dropouts. Researchers found that the rate of infection among women age 16 to 21 was 50 percent higher than that of men in the same group. (AP)

• A 14-year-old boy being treated for a gunshot wound died in a Chicago hospital in a fire ignited by a spark from a defibrillator. Doctors were trying to revive the boy when the spark apparently caused oxygen nearby to explode. (AP)

• A California bill that would require animal abusers to get psychiatric counseling as a condition of probation awaits action by Governor Pete Wilson. (LAT)

**Hotel Al Bustan**  
Lebanon's most desirable hotel  
Tel: (961) 4-972 960/1/2  
(961) 3-752 000/1  
Fax: (961) 4-972 439  
E-mail: albustan@voo.com.lb

## POLITICAL NOTES

### Lewinsky's Account Contradicted

WASHINGTON — President Bill Clinton's personal secretary, Betty Currie, has testified that Monica Lewinsky asked her to take back gifts from Mr. Clinton that had been subpoenaed. This contradicted Ms. Lewinsky's version of a critical event under investigation, sources familiar with the situation said.

Ms. Currie told a federal grand jury that she went to the former White House intern's Watergate apartment last winter at Ms. Lewinsky's request, according to the sources. Ms. Lewinsky has testified that Ms. Currie was the one who initiated the contact, other sources have said.

The discrepancy between their reported accounts could be important because the independent counsel, Kenneth Starr, has focused on the return of the gifts as a key element of his investigation into possible obstruction of justice by the president. (WP)

### Whip's Office Is Scandal Central

WASHINGTON — Although most Republican politicians are keeping a cautious distance from the scandal

enveloping President Bill Clinton, House Majority Whip Tom DeLay has launched a campaign that he hopes will force the president to resign.

Over the past few days, the Texas Republican has called staff members back from vacation to research political history and fax any relevant information to lawmakers, who are spread around the country on recess. His office is now the congressional clearinghouse of the scandal, where members can find everything from President Richard Nixon's popularity rating during the Watergate crisis to Mr. Clinton's comments as a congressional candidate at the time.

In an interview Thursday, Mr. DeLay said he was more interested in "getting the truth out" than simply in forcing Mr. Clinton from office.

But Mr. DeLay emphasized that his operation was aimed at putting pressure on Mr. Clinton in light of his recent confession that he had an affair with the young former White House intern and lied about it.

Mr. DeLay and his top aides emphasized that they were not recruiting other members to join in calls for Mr. Clinton's resignation. But Mr. DeLay's chief of staff left no doubt as to their preferred outcome.

"Most people want to see this all behind us," said Susan Hirschmann. "Resignation is what's best for the country. Then we can move on." (WP)

## Iran 'Penalized' for Terrorism

\$65 Million Awarded in U.S., but Can It Be Collected?

WASHINGTON Post Service  
WASHINGTON — A federal judge has ordered the government of Iran to pay \$65 million in civil damages for its role in the kidnapping of three Americans who were held hostage in Lebanon by Islamic extremists during the late 1980s.

The ruling by Judge Thomas Penfield Jackson was the latest action in a series of civil cases filed in Washington against Iran on behalf of Americans who say they were victims of terrorism.

It remains to be seen, however, if Iran will pay the awards.

The Iranian government did not take part in the court proceedings.

The former hostages — Joseph Cicippio, Frank Reed

and David Jacobsen — were among 18 Americans held in Lebanon between 1982 and 1991.

Mr. Cicippio was held the longest of the three, shackled for much of five and a half years. Mr. Reed was held for three years and eight months and Mr. Jacobsen was held for 17 months.

The judge awarded \$20 million to Mr. Cicippio, \$10 million to Mr. Reed and \$9 million to Mr. Jacobsen.

He also awarded \$10 million apiece to Mr. Cicippio's wife, Elham Cicippio, and Mr. Reed's wife, Fifi Delati-Reed, for anguish during their husbands' captivity.

In March, another federal judge ordered Iran to pay \$247.5 million to the family of an American college student who was killed in a sui-

cide bombing three years ago while she was studying in Israel.

The family of Alisa Flatow, 20, of West Orange, New Jersey, has launched an international search for Iranian assets and is seeking court approval to seize the former Iranian embassy in Washington.

The lawsuits were made possible by legislation passed in Congress two years ago.

The law permits U.S. citizens who are victims of terrorist acts abroad to sue foreign countries in American courts if those countries have been classified by the State Department as sponsors of terrorism.

Iran has been designated a state sponsor of terrorism by the State Department since 1984.

Our new  
**Salle Baccarat**  
for your  
conferences

**PALACE HOTEL**  
**GSTAAD**  
**SWITZERLAND**

Phone +41 33 748 50 00  
Telefax +41 33 748 50 01  
Internet: http://www.palace.ch  
E-mail: palace@gstaad.ch

The Leading Hotels of the World

## Facing The Truth

Christians and Jews of America must reach for the courage of Jesus and Moses in order to diffuss the spell of mutual distrust that continues to embroil all of the Children of Abraham.

Their frequently misplaced righteousness and one-sided sense of moral culpability psrpetuate the painful plight of every innocent victim in the Holy Land.

America's Christian and Jewish Isaders should set aside their concern for political correctness and relinquish the evasive tactics of the past. Unless they take hold of the fast-deteriorating situation in the Middle-East, Israel's self-inflicted isolation and escalating abrasiveness will Isad to further suffering and vindictive bloodshed in what was once the land of milk and honey.

**مراكش**

MARRAKESH  
ENTERTAINMENT  
617 New York Avenue, N.W., Washington, D.C. 20001  
U.S.A.  
(202) 393-9393







# Russia in Crisis, but No Red Lights Flash in U.S. as Vacations Get Priority

By R.W. Apple Jr.  
New York Times Service

WASHINGTON — When Russia was the heart of what Ronald Reagan called the "Evil Empire," bent on spreading communist dogma and power around the globe, the United States developed economic, military and diplomatic weapons to contain and eventually to help eliminate the danger.

Now Russia once again constitutes a threat to the rest of the world. Its inability to manage its economy has destabilized stock and currency markets from Moscow to Wall Street.

The government itself is tottering, raising the possibility that Russia might abandon its ill-starred experiment with democracy and return to its centuries-old tradition of authoritarian leadership.

And, of course, Russia is a nation that still maintains an enormous nuclear arsenal.

But there was no emergency mobilization in Washington, no metaphorical red light flashing at the White House, no public sense that the United States must take urgent steps to protect the interests of the industrialized nations.

Secretary of State Madeleine Albright made

only the briefest of comments, in an informal setting. The national security adviser, Samuel Berger, held a news conference in which he answered a number of questions about Russia, but the announced topic of the session was anti-American terrorism in Africa.

Neither President Bill Clinton, who was making a speech in Worcester, Massachusetts, about crime, nor Treasury Secretary Robert Rubin, who was fishing in the West, dropped everything to rush back to Washington.

Indeed, Mr. Clinton seemed a bit at sea when reporters called questions to him about reports that Russian President Boris Yeltsin might resign soon.

Vice President Al Gore was also out of town, as were most members of Congress.

That is not the way it was whenever the Cold War heated up.

It is true that the Russian meltdown had the impertinence to occur in August, when Washington, Paris, London and Bonn become ghost towns, with politicians and bureaucrats taking to the hills or sunning by the seashore.

One larger truth in Washington is that in the

current Russian crisis, as in many other post-Cold War crises, there is not all that much the United States can do. A second larger truth is the Monica Lewinsky matter.

For the record, the Clinton administration has steadfastly denied, like all administrations rocked by scandal, that the Lewinsky scandal has in any way affected the workings of government.

But individual government officials, high and low, tell a different story. For a month now, they — and indeed much of Washington — have been curiously detached from the ebb and flow of world events.

"You put your head down, stay in your corner and hope none of this muck rubs off on you," a State Department official said. "It is not an atmosphere conducive to good staff morale or in creative policy-making."

Mr. Clinton's mind is focused, his aides have implied, not so much on affairs of state as on the urgent necessity to repair relationships with his wife and daughter and to rebuild his own political standing.

Otherwise it is hard to believe that he would not have felt compelled to return to Washington from his vacation on Martha's Vineyard, Mas-

sachusetts, to show that he was engaged in the Russian problem, however limited his options.

As it happens, Mr. Yeltsin has been as badly weakened as Mr. Clinton has by recent events. Which raises the question: In that situation, is there any real point in carrying on with the summit conference scheduled for next week?

A number of Russian scholars said they doubted anything could be accomplished. But the Arms Control Association president, Spurgeon Keeny, suggested that the meeting could provide "for these two presidents, who are hanging on the ropes, a unique opportunity to demonstrate to their countries and to the world that they retain the power of presidential leadership."

If so, that would be most welcome to Mr. Clinton, and not only because it would take people's minds off his sexual misadventures.

Mr. Clinton and his aides have had to cope in recent weeks with a whole spectrum of frustrating issues where the United States, though by no means bereft of clout, lacks easy answers.

Huff and puff as it might, Washington is no closer today than it was a year ago to ridding Iraq of weapons of mass destruction.

For all the allied promises to end ethnic cleans-

ing, it continues in Kosovo. And anti-terrorism measures did not prevent the sickening explosion outside the U.S. embassies in Kenya and Tanzania this month.

Circumstances differ from case to case, of course. In some situations, building or maintaining alliances has proved difficult.

In others, the United States has tried to work through international organizations whose attempted solutions failed. In still others, existing problems have been compounded by errors or ineptitude in U.S. policy.

But whatever the specifics, the new reality — economic crises in Asia and Russia, nasty local wars, often fueled by generations of hatred, and attacks by terrorists — have proved a lot more difficult to handle than seemed likely in the euphoria at the Cold War's end.

It is, of course, a richly paradoxical situation: Helped by its allies, the United States wins the Cold War, develops an economy of unprecedented productivity and emerges as the world's only superpower, yet finds itself less powerful than before, not more so — if power is measured in terms of capacity to influence the course of events abroad.

## No Clinton Gifts for Yeltsin During Visit

U.S., Looking Ahead to a New Leader, Puts Stress on Structural Reforms

By John M. Broder  
and Steven Erlanger  
New York Times Service

WASHINGTON — With Russia in economic free fall, and only three days before a planned summit meeting between President Bill Clinton and President Boris Yeltsin, it appears that Mr. Clinton will go to Moscow with words of encouragement but no new aid money.

U.S. officials were hastily rewriting the summit meeting script even as they scrambled to devise a longer-range plan to prepare for the possibility of a Russia without Mr. Yeltsin, who has been the favored focus of U.S. policy for years.

The Clinton administration talked of creating policies for a new Russia, but the United States seemed to be watching the events from the sidelines and with a hesitation that contrasted with the quickly offered monetary aid and statements of assurance that have met

earlier, less serious, crises in Russia.

U.S. officials say that they have no new answers to Russia's political and financial crises and no new money to provide beyond what the International Monetary Fund has already pledged and that Mr. Clinton has already said so to Mr. Yeltsin.

"We will not hit the ground with a bag of tricks," a senior official said.

The national security adviser, Samuel Berger, repeated the administration's position that the U.S.-Russian relationship was built on policies, not personalities.

Echoing Mr. Clinton's comments to Mr. Yeltsin in a telephone call Tuesday, Mr. Berger urged the Russian president and his acting prime minister, Viktor Chernomyrdin, to continue on the path of economic reform laid out by the previous government of Sergei Kiriyenko, whom Mr. Yeltsin dismissed.

"I think the composition of the gov-

ernment is obviously for the Russians to decide," Mr. Berger said during a briefing on the arrest of two suspects in the Aug. 7 embassy bombings in Africa.

What we were — what we are concerned about and would be — are extremely interested in is the policy direction that the new government takes," he said.

"Does the new government stay essentially on course with respect to economic reform and with respect to democracy, or does it change course? If it changed course in any kind of fundamental way, that would be of serious concern to us."

Mr. Clinton spoke with the British prime minister, Tony Blair, late Thursday about the Russian crisis and Mr. Clinton's visit to Ireland and Northern Ireland next week, immediately following his two days in Moscow.

The two leaders agreed that continued economic reform in Russia is "vital," a British spokeswoman said.

Also unclear is whether the IMF will deliver the next \$4.3 billion payment of a loan package, due Sept. 15.

It depends on Russian legislative action to alter the tax and pension systems — votes that look increasingly unlikely.

The Duma, the lower house of Parliament, must first confirm Mr. Chernomyrdin as prime minister, and the debate could be contentious and long.

"We cannot save Russia, only Russia can do that," a senior official said. "The president can't calm the markets." "The markets will be affected only by clear evidence of Russian seriousness of purpose, from Yeltsin to the Duma, to fix the problems and ensure that foreigners get a fair shake."

"But Clinton can engage Yeltsin in a discussion of the political imperatives of handling the economy," he said.

Senior U.S. officials, in a sign that they believe the Yeltsin era may be nearing its end, see the summit meeting as a way to begin to build bridges to the next generation of Russian leaders.

Mr. Clinton's main public address of the two-day event — a speech Tuesday to students and young business leaders — is an explicit effort to speak over the heads of current leaders to the Russian people.

Mr. Clinton will speak about the evolving relationship between the countries and offer sympathy for the pain of the transformation Russia is suffering through, according to an official involved in preparations for the event.

On Wednesday, Mr. Clinton is scheduled to meet a dozen or more Parliament and regional leaders, another effort to engage with a new generation of leaders not tainted by the Communist era or the difficult transitional years of Mr. Yeltsin's presidency.

Critics of U.S. policy in the United States and in Russia have often questioned what they call Mr. Clinton's too close relationship with Mr. Yeltsin, ignoring other potential leaders.



Russian miners banging their helmets during a protest demonstration Friday in Moscow over unpaid wages.

## YELTSIN: Responding to Crisis, Russian Vows on TV Not to Quit

Continued from Page 1

Smolensky, one of the leading Russian business magnates, who had hoped to build a nationwide private retail banking network. But his bank came into serious financial difficulties even before the devaluation of the ruble.

In addition, a major brokerage house, Brunswick Warburg, issued a statement warning that Russia could default on sovereign debt such as Eurobonds.

This would have further global financial repercussions beyond the turmoil already caused by Russia's decision to pay only about 20 cents on the dollar on its short-term internal debt.

Mr. Yeltsin's appearance followed a day of high-profile meetings in the Kremlin that also appeared designed to demonstrate his vitality.

He met with Deputy Secretary of State Strobe Talbott to discuss the summit meeting next week here with Mr. Clinton, and also met jointly with three leading politicians, Mr. Chernomyrdin, Mayor Yuri Luzhkov of Moscow and Yegor Stroyev, chairman of the upper house of Parliament.

Mr. Chernomyrdin devoted the day to soothing members of Parliament, who are expected to vote Monday on whether to confirm him as prime minister.

Mr. Yeltsin reapointed him to the post after dismissing Sergei Kiriyenko, who had served only five months, as the economic firestorm erupted.

In an aid to help win Mr. Chernomyrdin's confirmation, Mr. Yeltsin said he would not dissolve Parliament, a promise that could have an significant impact on how the chamber votes.

Dominated by Communists and nationalists, the Duma has often feared dissolution; the current members are not up for election until December 1999.

"No matter how hard they try to intimidate me," Mr. Yeltsin said, "I am not going to dissolve it."

If the Parliament rejects Mr. Yeltsin's choice three times, he has the right to dissolve it and call new elections.

Separately, Mr. Chernomyrdin and Kremlin officials have been negotiating two agreements with the lower house, which are linked to the upcoming vote.

One is a statement of economic policy, the other is a proposed power-sharing deal that would give the Parliament significantly increased prerogatives and limit Mr. Yeltsin's powers.

Under the 1993 constitution, Mr. Yeltsin has broad authority and the Parliament few levers of power.

There were conflicting reports about the negotiations. After meeting with legislative leaders Friday night, Alexander Shokhin, a leader of Mr. Chernomyrdin's bloc in Parliament, said prospects were good for an agreement Monday

that would clear the way for Mr. Chernomyrdin's confirmation.

The economic agreement says that the new government will inject more money into the economy, impose currency controls to prevent capital flight and create more state regulation of the economy, including possibly nationalization of some defense industrial plants.

But there is a growing consensus behind one aspect of the plan, to print more money, despite the risks of inflation.

Russia followed a tight monetary and fiscal policy in recent years — initially to quell hyperinflation of the first post-Soviet years.

The harsh medicine did bring down inflation but also led to demonetization of the economy, and as inflation fell, a web of debts and wage arrears was created.

For several years, companies and workers have relied on crude barter rather than money for many transactions.

## EUROPE: Russia Urged to Push Reforms

Continued from Page 1

Western help will not work.

"It won't be possible to mobilize German and international aid without reforms," said Chancellor Helmut Kohl of Germany. "Without sensible reforms, it won't turn out well."

European officials tried to reassure investors in their own financial markets that the Russian economy is too small for a collapse to do serious damage to their own much larger economies.

The real concern of European leaders here is the fate of democracy in Russia, whose indispensable bulwark in their eyes has been Mr. Yeltsin.

Now, with his authority uncertain and his new government's commitment to the kind of economic reform that Western leaders consider necessary in doubt, some are beginning to wonder whether the still powerful Russian Army stands.

The British prime minister, Tony Blair, talked about the crisis Thursday with President Bill Clinton, who plans to visit Russia next week, and officials in London said they had agreed on what Russia needed to do to get out of the crisis.

"The program and plan that has been put together over a long period of time by the international institutions does genuinely offer the only way out of this," Mr. Blair said during a visit to Scotland.

The German finance minister, Theo Waigel, said in Munich: "Russia needs, like any other country, to work closely with international financial institutions, but Russia must solve its own problems."

He said that Bonn and Paris would work together to try to help but stressed that bilateral financial aid to Moscow from Germany, which has lent or donated tens of billions of dollars in gratitude for Russian agreement to German unification in 1990, was "out of the question."

As reports from Russia indicated that Mr. Chernomyrdin might be preparing to strengthen state control of the economy and let inflation resume, authorities in Bonn and Paris expressed concern about economic and political developments.

"The finance ministers agree it is vital to strengthen the foundations of public finances with a fair tax system and in aid of measures to restore the stability of the financial system," the German Finance Ministry said.

"It is also decisive that the Russian central bank is able to pursue an independent, stability-oriented monetary policy."

Mr. Waigel told the German financial daily *Handelsblatt*: "Turning up the printing presses is never a wise solution. Inflation is no way to escape the financial crisis. There is no way around rapid implementation of structural reforms."

The French finance minister, Dominique Strauss-Kahn, said Friday: "It is clear that the solution is in the hands of the Russian government."

"We appreciate that financial assistance from us is necessary but not sufficient. In particular, the Russian government has to put fiscal reforms in place."

With Chancellor Kohl in the fight of his life for re-election a month from now and with Mr. Clinton and Mr. Yeltsin both seen in weakened political positions, few here see much chance of quick, decisive action, even during the U.S.-Russian summit meeting next week.

French officials, just returning from their annual August vacations, said something needed to be done to reinforce the IMF, which agreed on a \$22.6-billion rescue package to Russia last month.

Much of that amount was spent by the Russian central bank in a failed attempt to defend the value of the ruble.

Mr. Chirac, in a speech to French ambassadors from around the world, said Wednesday that the Fund needed a decision-making political body at the ministerial level to strengthen its ability to deal with crises.

International aid would succeed, he said, only "if the necessary internal reforms supported by Mr. Yeltsin are resolutely put into effect by the new government of Mr. Chernomyrdin."

Some economists wondered openly why the G-7 countries, led by the United States, had not taken a more active role in managing the crisis.

"For too long, Russia has been pretending to observe the conditions imposed by the IMF, and the IMF has been pretending that it was doing so," Christian de Boissieu, an economics professor at the Sorbonne, told the French daily *Le Monde*.

"The G-7 should take over," he said.

Others have asked why the European Bank for Reconstruction and Development in London, founded after the collapse of communism to help free market economies to emerge, has not played a more prominent role in this latest crisis.

## KOHL: Chancellor Meets Hostility in East

Continued from Page 1

"Many people in the East feel cheated and think Kohl has treated them like second-class citizens."

The chancellor, however, is not willing to surrender Eastern votes because they could prove decisive in determining the outcome of what promises to be a close race.

Unlike many West Germans, who have long-standing party loyalties, elec-

toral analysts say the Easters' brief exposure to democracy has made them floating voters who waver until the moment they cast their ballot.

Mr. Kohl acknowledged that West Germans have not been sensitive enough to the plight of their Eastern cousins, many of whom lost all hope of employment when their factories were shut down because they could not withstand the harsh competition in a free market.

But he insisted that the balance sheet of German unity was unquestionably positive.

"Thanks to my government, you now have the most modern telephone system in the world. You have new cars and good roads, and most of all you are free from the red and brown dictatorships of the past," Mr. Kohl told his crowd of skeptics, alluding to the Communist and Nazi regimes that kept them suppressed during much of this century.

"What about our future? What hope do we have to find jobs?" shouted a young female heckler.

Mr. Kohl endured the disruptions with aplomb as he pressed his case that his government needed more time to create a new generation of jobs in the changing global economy.

Mr. Kohl has been dogged by questions about whether he truly intends to serve out a fifth term.

His anointed successor, Wolfgang Schäuble, the Christian Democrats' No. 2, who ranks in some polls as the country's most popular politician, has not been shy about his own ambitions. He indicated this week that Mr. Kohl



Theo Waigel, the German finance minister and head of the Christian Social Union, addressing delegates at the party's convention Friday in Munich.

might step down in his favor, possibly by the year 2000.

Mr. Schäuble's pretensions to the throne have caused a furor in the camp of the Christian Social Union, the Bavarian sister party of Christian Democrats, who harbor an abiding distrust of Mr. Kohl's deputy.

"As far as we are concerned, this chancellor does not carry an expiring date," said Michael Glos, the CSU parliamentary leader.

Sensing that Mr. Kohl's problems could signal the end of the road for the man who has ruled their party with an iron fist for a quarter century, other prominent Christian Democrats, notably

## Disident's Prison Term Protested in Havana

Reuters

HAVANA — A small but rowdy demonstration took place just outside a Havana courtroom Friday after a Cuban dissident was given a three-year prison sentence for "spreading false information."

Relatives and sympathizers chanted "Freedom!" while others called for the ouster of President Fidel Castro after Reinado Alfaro Garcia, 37, was taken from the courtroom by the police.

The crowd of several dozen people demonstrated for more than five minutes in front of some foreign reporters and diplomatic observers before they were drowned out by a larger crowd that chanted "Long live Fidel!"

Carmen Landra, a teacher who participated in the anti-government demonstration, said she feared reprisals.



# Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Flight to Quality

Panics are never pretty, and the one that has been going on in financial markets around the world is no exception. In virtually every stock market, prices fell sharply on Thursday.

In recent years, plunges in world markets have often been halted in the United States, where individual investors have stepped in to buy because they were confident that stock prices would rebound. It appears that they have been less eager to do so this summer, although there is no indication that there has been a lot of selling by such investors.

While the immediate cause of the panic is the default and financial chaos in Russia, it also comes at a time of growing economic weakness around the world. Recession in Asia appears to be getting worse, and while the U.S. economy has continued to grow, the government reported on Thursday that after-tax corporate profits were down in the second quarter from the same period a year ago. That is the first such

decline since 1989, just before the country's last recession.

Over the past year there has been a gradual increase in concern among investors, which has shown itself in a flight to quality. The most established economies, in the United States and Western Europe, have until recently seen the prices of their biggest stocks rise, while shares of smaller companies did less well and other stock markets suffered. Now that flight to quality has turned into a stampede, and all stock markets look suspect to investors, while only the safest bonds seem attractive.

Whatever investors do in coming days, the important question is what will happen to the world's economies. Preventing a worldwide downturn will require a revitalized IMF, and may require the Federal Reserve to reduce short-term interest rates in the United States, despite its worries about inflation. With commodity prices at a 21-year low, inflation is not the major concern now.

—THE NEW YORK TIMES

## Letting Saddam Win

Twenty-three days have now passed without United Nations inspections of Saddam Hussein's weapons-making capabilities. That is 23 days during which he could be warded off by developing chemical, biological and nuclear arms. This is a dictator who has used chemical weapons, on his own people and on his enemies, and who would use them again.

Yet his defiance of the United States and the United Nations goes unchallenged. This week one of the most tenacious UN inspectors, Scott Ritter, resigned rather than participate in what he called "the illusion of arms control." For most of a year, we now know, the Clinton administration has been working to rein in the inspectors.

The United States, in other words, has abandoned a policy, in place since the end of the Gulf War, of insisting on aggressive arms inspections to deny Iraq's dictator his weapons of mass destruction. The new policy, although the administration will not openly acknowledge it, seems to be one of deterrence and containment. As Defense Secretary William Cohen said, if Saddam Hussein "takes any action to reconstitute his weapons of mass destruction, or disrupts the stability or peace in the region," the United States reserves the right to use force.

The search for a new policy, after last winter's standoff, is understandable. Few analysts inside or outside the U.S. government then were sanguine about the ability to achieve U.S. goals through the use of force. Allied support was minimal. But the new policy inevitably raises questions. Without inspections, can the United States know when Saddam is "reconstituting his weapons of mass destruction"? The record is highly discouraging in this regard. Does not Saddam's victory over the United Nations, and his ability now to rebuild his arsenal, send a message to

neighbors and others that in itself "disrupts the stability" of the region?

And if he now manages to acquire nuclear weapons, would U.S. threats really serve to deter, for example, another invasion of Kuwait? Deterrence depends on credibility.

Bill Clinton provided answers to these questions last February. "What if he fails to comply and we fail to act, or we take some ambiguous third route, which gives him yet more opportunities to develop this program of weapons of mass destruction? ... Well, he will conclude that the international community has lost its will. He will then conclude that he can go right on and do more to rebuild an arsenal of devastating destruction. And some day, some way, I guarantee you he'll use the arsenal."

Six months ago, the administration insisted that Saddam could not wiggle out of an agreement that UN Secretary-General Kofi Annan personally negotiated. This time the international community would certainly rise up in indignation. Yet the U.S. government is using international apathy as an excuse to do nothing, and Mr. Annan seems astoundingly sanguine.

What might the consequences be, in Iraq and around the world, of such appeasement? Back in February, Mr. Clinton had an answer to that question, too. "In this century, we learned through harsh experience that the only answer to aggression and illegal behavior is firmness, determination and, when necessary, action. ... If we fail to respond today, Saddam and all those who would follow in his footsteps will be emboldened tomorrow by the knowledge that they can act with impunity, even in the face of a clear message from the United Nations Security Council and clear evidence of a weapons of mass destruction program."

—THE WASHINGTON POST

## The Sudan Evidence

Americans of both parties rallied around President Bill Clinton's decision to launch military strikes against alleged terrorist installations in Afghanistan and Sudan. But the administration's refusal to share more information about its choice of targets and timing is disturbing. By its excessive secrecy, Washington only increases skepticism about its claim that the Shifa chemical factory in Sudan was really producing nerve gas ingredients and thus had to be destroyed to prevent new terrorist attacks.

The White House says it has "compelling" evidence, in the form of soil samples, for its claims about the Shifa factory. But until it shares some of that evidence, legitimate questions can be asked about the justifications given for the Sudan attack.

The administration says the soil samples contain EMPA, a chemical not found in nature and with no known uses outside the manufacture of the deadly nerve gas VX. But Washington will not produce the samples or detailed results of its tests on the soil.

Sudanese authorities insist that the plant was used to produce pharmaceuticals, noting that the UN sanctions committee had authorized the Shifa factory to export veterinary medicine to Iraq. Sudan has invited an international mission to come and collect its

own soil samples. Washington has also had trouble sustaining its original claim of a direct financial link between the Shifa factory and Osama bin Laden, the alleged master terrorist. Washington accuses of organizing this month's deadly bombings of the U.S. embassies in Kenya and Tanzania. The administration has repeatedly contended that it had to strike the bases in Afghanistan quickly to head off new terrorist attacks. But it has so far been unable to show any clear connection between the Shifa plant and any specific terrorist plan.

If the plant was not an immediate threat, Washington should have explored opportunities to resolve the Shifa question by diplomacy before resorting to cruise missile attack. Sudan has previously acceded to U.S. requests, for example by expelling Mr. bin Laden in 1996.

These uncertainties make it imperative that the soil samples, test results and other aspects of the administration's case be more widely shared. If Washington cannot be more forthcoming, it should take up Sudan's offer to let international investigators examine the Shifa site. Nerve gas components like EMPA are long-lasting. If they were in the soil two months ago, they are probably still there.

—THE NEW YORK TIMES

## Chernomyrdin Looks Like Russia's Best Chance

By Dimitri K. Simes

WASHINGTON — Viktor Chernomyrdin's return as prime minister presents the best and perhaps last opportunity to keep the Russian political situation under control and ensure a relatively smooth transition when Boris Yeltsin leaves office.

Mr. Chernomyrdin is not a magician, and he shares responsibility for the country's current chaos. But he realizes that Russia faces a systemic crisis and that political rather than purely financial solutions are essential.

The alternative to his return — retaining Sergei Kiriyenko's government, which lacked any major base of support beyond the erratic President Yeltsin — was a recipe for disaster. For the first time in years, recent Russian opinion polls had begun to indicate a potential social explosion.

The Clinton administration and the IMF loved the Kiriyenko cabinet's commitment to follow IMF recommendations to maintain the value of the ruble, cut the federal budget and increase tax revenue. But the Kiriyenko government had no chance of delivering on its promises.

In the Russian economy, where about 75 percent of transactions are based on barter for which there is as yet no meaningful tax legislation, sending

out tax police squads with ski masks and submachine guns could not resolve revenue shortfalls.

In trying to avoid the inevitable devaluation of the ruble, the Russian central bank wasted some \$3.5 billion of the first \$4.8 billion installment of the IMF's \$22.6 billion July rescue package in only one month.

Russia needs more reform. But for reform to work, it must be undertaken in a systematic manner and address the key requirements for building a genuine market economy, including guarantees of property rights, anti-monopoly legislation, tax reform and tough measures against corruption. To have any credibility, changes this profound cannot be implemented by presidential decrees of questionable legality. They must be legislated by the Duma.

Critics of the Duma frequently describe it as dominated by Communists and nationalists. This convenient label is simplistic. The Communists have the largest faction but are certainly not in control. Vladimir Zhirinovskiy's nationalists have lost most of their popular support and have voted with Mr. Yeltsin on most major issues. This is

not an ideal Parliament, but it is not a hopeless one, either.

Opinion polls suggest that new elections are unlikely to produce a better Duma. A truly pro-reform government, one that is prepared to be judged on results, has no alternative but to enter into a dialogue with the Duma.

Mr. Kiriyenko and his radical colleagues failed to accept the fundamental fact that in a democracy, treating the elected representatives of the people with contempt will not contribute to the development of a free market environment. Mr. Chernomyrdin understands at least that much.

Dialogue with the defiant Duma is not going to be easy. Mr. Chernomyrdin will need to demonstrate a remarkable combination of backbone and flexibility in his relations with the Duma, the oligarchs, foreign investors and, last but not least, Boris Yeltsin, who has a record of being disloyal in defeat and envious of victory.

If the prime minister rises to be all things to all people — or appears to be no more than a surrogate for the oligarchs — his second tenure in office will be a sad and short-lived episode.

For now, however, there is little choice but to give him a chance. This does not mean offering Mos-

cow more funds. Washington should say it is ready to encourage the IMF to release subsequent installments of the loan without trying to micromanage Russia's reform process. It should insist on transparency, protections for foreign investors and guarantees that the IMF money will not be primarily used, as it has been in the past, to benefit Russia's oligarchs.

Beyond that, the time is long past to put an end to paternalistic obsession with Boris Yeltsin, to accept the fact that Russia is not an American protectorate, and, to the extent that important U.S. interests are not involved, to allow and indeed encourage Russia to make its own decisions. At a minimum, such a policy would protect the United States against backlash in Russia in the event the Yeltsin regime fails.

By placing the responsibility for Russia's future where it should be, squarely within Russia's own political process, America would encourage the Russian people to develop their own indigenous solutions and make clear that they must ultimately be responsible for the consequences.

The writer is president of the Nixon Center. He contributed this comment to The Washington Post.

## Keep an Eye on Lebed, Potential Tamer of Anti-Western Reaction

By William Pfaff

PARIS — Alexander Lebed arrived in Moscow on Wednesday, amid fiscal collapse and political crisis, to meet the acting prime minister, Viktor Chernomyrdin.

The former general has been used before as a stalking horse by Russian leaders who wanted to borrow his popularity. He has also been dropped by them when his presence became an encumbrance.

Mr. Lebed's successful campaign to become governor of the Krasnoyarsk region is said to have been financed by Boris Berezovsky, one of the oligarchs of the privatized Russian economy, close to Mr. Chernomyrdin. Moscow gossip suggests that when Mr. Chernomyrdin falters, Mr. Berezovsky may "play the Lebed card."

However, who really is using whom in this somber dance, as the Russian economy

disintegrates? Mr. Lebed is anything but naive. This return to a Moscow in crisis puts him again at the center of events.

He is too intelligent not to understand that the system of oligarchs or robber barons has run aground. He must know that boarding their sinking ship, on their terms, would take him down, too.

The demise of the ruble as a tradable currency means that neither the IMF loans already committed nor new loans from the industrial nations can salvage Russia's financial system. It has to be reformed.

The proposal by George Soros that the ruble be linked to the dollar (or euro) in a version of the "currency board" that the economist Steve Hanke has been promoting in Asia, an idea with Keynesian origins, has until now been ig-

nored. It should be examined.

A re-established currency will have to be protected against destabilizing and self-interested forces in the globalized financial system. Now functioning largely by barter, Russia has to cut its dependence on imports and restart its agriculture and manufacturing. This will not be achieved without protectionism.

A belief widely held in Russia is that its economic collapse was deliberately engineered by the United States and its allies. This belief is untrue, but it is not unfounded. The advice the West gave Russia was based on a serious misapprehension of Russian reality, as well as on the credulous assumption that beneficial capitalism is man's natural condition.

In the name of deregulation and liberalization of the mar-

ketplace, Russia has instead had its economy looted by a band of well-placed insiders, mostly former functionaries of the Soviet state and economy. These now dominate the media as well as the state, and have moved as much as possible of their wealth to the West.

The fundamental problem now is political. The legal and social institutions and infrastructure of a modern society remain to be created. This cannot be done without dislodging the oligarchs from power.

That can be accomplished only on the basis of legitimacy obtained from popular mandate. The only figure now on the scene who possesses the natural authority and populist appeal likely to win that legitimacy is Mr. Lebed.

In economics he is an unknown quantity. In political terms he has a record. He has demonstrated astuteness and

common sense not only in promoting his own career but in dealing peacefully with a complicated situation in Moldova and in settling the disastrous war in Chechnya. He has revealed no dictatorial ambitions, although those cannot be excluded, or may arrive.

There is going to be a nationalist and anti-Western reaction. With Mr. Lebed, this will, on current evidence, be a rational and controlled reaction, open to pragmatic dialogue with the West.

Such a reaction is probably necessary as well as inevitable. The Russians are a richly talented people, educated and skilled, capable of enormous efforts, but after the fiasco of the last nine years they need to reclaim control of what happens to them, and rebuild on their own terms.

International Herald Tribune, Los Angeles Times Syndicate.

## Washington's 'African Policy Lite' Doesn't Do the Job

By Chester A. Crocker

WASHINGTON — Turmoil in Central Africa points to the need for realistic U.S. policies in Africa that will deter or check the spread of conflict and protect America's growing interests in the region.

If you listened only to the prose from official Washington, you would miss this point. We are urged to think in terms of an African "renaissance." The White House is at pains to move beyond the basket case stereotypes and accentuate the positive in Africa.

The declared U.S. role is to engage with African nations as partners, not proxies or pawns, and to help bring them into the global mainstream. Washington is stressing open markets as a way to forge economic links. It is promoting democracy and human rights, and trying to strengthen the ability of African countries to resolve their own conflicts. There is merit in some of this rhetorical repositioning.

Africa is diversifying. From a history of authoritarianism and stagnation, most African countries now have growing economies and liberalized political systems. The United States is poised to enjoy the fruits of engagement with a successful Africa, if such a thing emerges.

The problem is that Washington still has not decided how to attain these goals — and ignores the bigger problems. State Department officials speak of the region's "remaining" conflicts as if they were an endangered species. But nearly all of Africa's most important countries — Algeria, Angola, Congo, Ethiopia, Nigeria and Sudan — are caught up in domestic strife or external conflict. The fighting in Congo directly affects conflicts in six neighboring countries, with potentially devastating consequences for the broader African region.

There will be no African renaissance unless these conflicts are resolved and some new and reasonably predictable basis for legitimate order emerges.

In this decade, the United States has tried to end conflict and promote democracy in many different ways. It withdrew support from Cold War era autocrats, such as Mobutu Sese Seko of Zaire and Mohammed Siad Barre of Somalia, and tacitly encouraged their enemies and neighbors to seize power. But, as we are seeing now in Congo, this led to factional strife over the carcass of the abandoned, "failed" state.

In Somalia, which was descending into clan warfare, Washington tried muscular humanitarian intervention in the form of UN-authorized peace enforcement. After 18 troops were killed, it spent much of the next five years discouraging,

blocking and sabotaging proposals for robust military action in countries like Rwanda, where no other action could have stopped genocidal violence.

Instead, in Rwanda, the United States tried narrowly circumscribed humanitarian action, providing security for refugee camps in eastern Congo. This did nothing but make the problems worse, as Hutu militias, living off and among the refugees, mounted fresh attacks against Rwanda.

In the mid-1990s, faced with a recalcitrant, Islamist regime in Sudan engaged in terrorist alliances and a 40-year civil war, Washington encouraged Eritrea, Ethiopia and Uganda to coalesce behind rebel movements and offered them token support like radios and boots. This has hardly proved to be a winning strategy, and now Ethiopia and Eritrea, are distracted from the Sudan front by their own border dispute.

U.S. African policy has advocated political reconciliation and negotiated solutions. U.S. envoys have crisscrossed the region when crises erupted. But America has not had a strategic concept beyond supporting good guys. Washington has increasingly encouraged Africans to take the lead, which signals its own reluctance to do so.

Backing "African solutions" is fine where they have the possibility of leading to durable and legitimate outcomes. But the "new generation" of leaders in Eritrea, Ethiopia, Uganda, Rwanda, South Africa and Namibia may have sharply

differing agendas. They have little in common apart from having gained power through struggle and having an inclination, recklessly winked at by Washington, to ignore established frontiers.

It is not axiomatic that American leadership is appropriate in all cases. But the point is that "African policy lite" isn't working very well. There have been few successes since Namibia, South Africa and Mozambique turned to peace and democracy earlier in this decade.

Goodwill visits and innovative trade initiatives are not enough to assure Africa's economic turnaround. Enhanced stability and vigorous conflict management are prerequisites for a regional renaissance.

It is time to consider how the United States can make sure that all parties — the good, the not so good and the downright awful — take America more seriously and cooperate in making peace. This will require leading by example, using all of America's considerable diplomatic resources to create a coherent way of controlling conflict. It means using American power to influence America's closest allies and the most vocal of its enemies.

In the final analysis, the United States should be on its own side, backing its own concepts and principles.

The writer, a professor of diplomacy at Georgetown University, is a former U.S. assistant secretary of state for African affairs. He contributed this comment to The New York Times.

## World Disorder Challenges America

By Stephen S. Ro

WASHINGTON — What is for Bill Clinton a political crisis of the first order is for much of the rest of the world cause for an anxiety attack of the second order. The reaction of many abroad, or at least of the great number who wish America well, is to an event of worry and consequence but not of do-or-die dimensions.

The possibility that those who think ill of the United States may attempt somehow to exploit the distractions weighing on Mr. Clinton requires from Americans an attitude of vigilance. But otherwise the international response to his troubles, a response of general yet unfocused concern, is a tribute to the continuing centrality of the United States in the overall scheme of things and to broad confidence in American stability.

Many others count on American engagement and constancy. They fret when America seems to take a holiday from international duty to indulge what they see as its unswerving moralistic preoccupation. They are hoping that under one president or another Americans will expeditiously find their way back to business as usual.

Business as usual means getting along, at the most tugging through, but taking a part and working with friends and allies. Business as usual on the American side involves "handling" things, not exactly solving problems, which may not be soluble in any immediate or final sense, but staying current with them,

trying to avoid surprise and collapse. When people talk of how the administration is doing, that is what many of them have in the back of their minds.

But that is not all. A period of nervousness and frustration brings us face to face with a fundamental contradiction built into the post-Cold War American political structure.

The principal foreign policy requirement bearing upon Washington, I would say, is to live with the raggedness of a world scene teeming with unruly actors. Their company includes wayward individuals and groups as well as organized states that may or may not be amenable to the international rules.

America can do something to inhibit the troublingmaking of these entities, and it must. But a twirl of the globe suffices to illustrate that the relative discipline that was possible in the Cold War period is no more.

"World order" was at one time a slogan for general American intervention and responsibility. It was too ambitious and fell by the side of the Vietnam road. George Bush, flush with success in the Gulf War, broached the notion of a post-Cold War "new world order." It was a oosterstar. World disorder is now the harsh reality.

What is emerging is a range of local, self-generating challenges that are so far only feebly grasped. Can cross-border terrorism, drugs and international

crime be whipped? Is nonproliferation a lost cause? Is globalization thinning state power and responsibility, creating not only wealth but also chaos and indifference to dependent communities?

Even as the United States is pressed to accept restraints on its national freedom of action, however, and here is the contradiction, it must deal with the strong nationalistic streak in its own political culture. This is not something to apologize for. American nationalism is America-centered but comes with a strong idealistic and altruistic component. Our judgment can falter, but, I believe, our heart is purer than most.

The Clinton administration has made the long trek from "assertive multilateralism" to the "indispensable" country — from a lesser form of nationalism to a greater one. The trouble comes when American nationalism, with its global and activist bias, meets resistance on hostile or inhospitable international terrain.

Calls for "leadership" come readily to American lips, first of all perhaps in situations where others are reluctant to be led at the pace and in the direction that Americans feel urgent. In Iraq right now we can see an important test case ripening. A pull to it alone competes with neo-isolationism and multilateralism to shape American policy.

It is not the end of the world, but no prudent person can avoid worrying plenty about it.

The Washington Post.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Universal Peace

PARIS — [The Herald says in an Editorial:] The Tsar has invited a conference of the Powers to discuss the question of universal disarmament. As His Majesty puts it, the preservation of peace is not served by rivalry between the nations in the matter of increasing their armaments. The Peace Congress which he invites will be a splendid monument to illustrate his reign. What better promise, indeed, could there be for the opening of another century?

### 1923: Fatal Dry Law

BOSTON — Prohibition has had such a deadly effect upon organized labor, according to Mr. Herbert Kenna, counsel for the United Building Trades Council, that union funds have been seriously depleted by sick benefit claims, and accidents have increased in an alarming

manner. Union officials blame the poisonous "boot-leg" whisky, which has killed and maimed so many laborers that the building trades unions in Boston are being demoralized.

### 1948: Korean Threat

SEOUL — The Russian puppet regime in North Korea, in a broadcast intercepted by the United States Army, threatened to "destroy" the elected government in American-occupied South Korea. The broadcast from Pyongyang was the first picked up since the election in North Korea for the Supreme People's Council. It said without elaboration: "We have elected our representatives to the Supreme People's Council to destroy these treacherous traitors. Each of our election cards will turn into bullets to destroy the puppet government of South Korea when a central government of Korea is established."

## Herald INTERNATIONAL Tribune

ESTABLISHED 1887

KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER  
Co-Chairmen of the Board

PETER C. GOLDMARK JR., Chairman and Chief Executive Officer  
RICHARD WOOLDRIDGE, President and Chief Operating Officer  
MICHAEL GETTLER, Executive Editor

WALTER WELLS, Managing Editor • PAUL HORVITZ, Deputy Managing Editor  
KATHERINE KNORR and CHARLES MITCHELMORE, Deputy Editors • SAMUEL ABE and CARL GEWIRTZ, Associate Editors • ROBERT J. DONAHUE, Editor of the Editorial Pages  
JONATHAN GAGE, Business and Finance Editor

RENÉ BONDY, Senior Vice President and Chief Financial Officer  
DIDIER BRUN, Circulation and Development Director  
STEPHEN DUNBAR-JOHNSON, Advertising Director  
Directeur de la Publication: Peter C. Goldmark Jr.

International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.  
Tel: (1) 41.43.93.00. Fax: Subscriptions: (1) 41.43.92.10. Advertising: (1) 41.43.92.12. News: (1) 41.43.93.38.  
Internet address: <http://www.ihb.com> E-Mail: [ihb@ihb.com](mailto:ihb@ihb.com)

Editor for Asia: Michael Richardson, 11, Cemetery Rd., Singapore 11900. Tel: (65) 477-7768. Fax: (65) 274-2334  
Mag. Dir. Asia, Terry Downer, #1201, 191 Ann Road, Hong Kong. Tel: 852-2022-1188. Fax: 852-2022-1190  
Gen. Mgr. Germany: T. Schiller, Friedrichstr. 11, 10117 Berlin. Tel: 49 (0) 30 2022-1188. Fax: 49 (0) 30 2022-1190  
Pres. U.S. Asia: John B. Hines, 850 Third Ave., New York, N.Y. 10022. Tel: (212) 723-3800. Fax: (212) 723-6700  
U.K. Advertising Office: 63 Long Acre, London WC2E 3AF. Tel: (44) 20 7464-4802. Fax: (44) 20 7464-4803  
S.A.S. au capital de 1.200.000 F. RCS Nanterre B 73201126. Commission Paritaire No. 61337  
©1998, International Herald Tribune. All rights reserved. ISSN: 0244-8852.







## ART

## Turner's Light and a Collector's Vision

By Souren Melikian  
International Herald Tribune

LONDON — Collections formed decades ago by inspired art lovers have a unique virtue that no museum ever matches. They reveal the aesthetic perception of a bygone age and force us to look afresh at artists in a way that would not have occurred to us.

The 47 watercolors by J.M.W. Turner acquired by Robert Wylie Lloyd between 1912 and 1927 — now on view at the British Museum until Sept. 20 for the first time since their bequest in 1938 — project a strikingly different image of Turner's art from the one that is currently admired: Turner, the precursor of advanced Impressionism who stood on the threshold of abstraction.

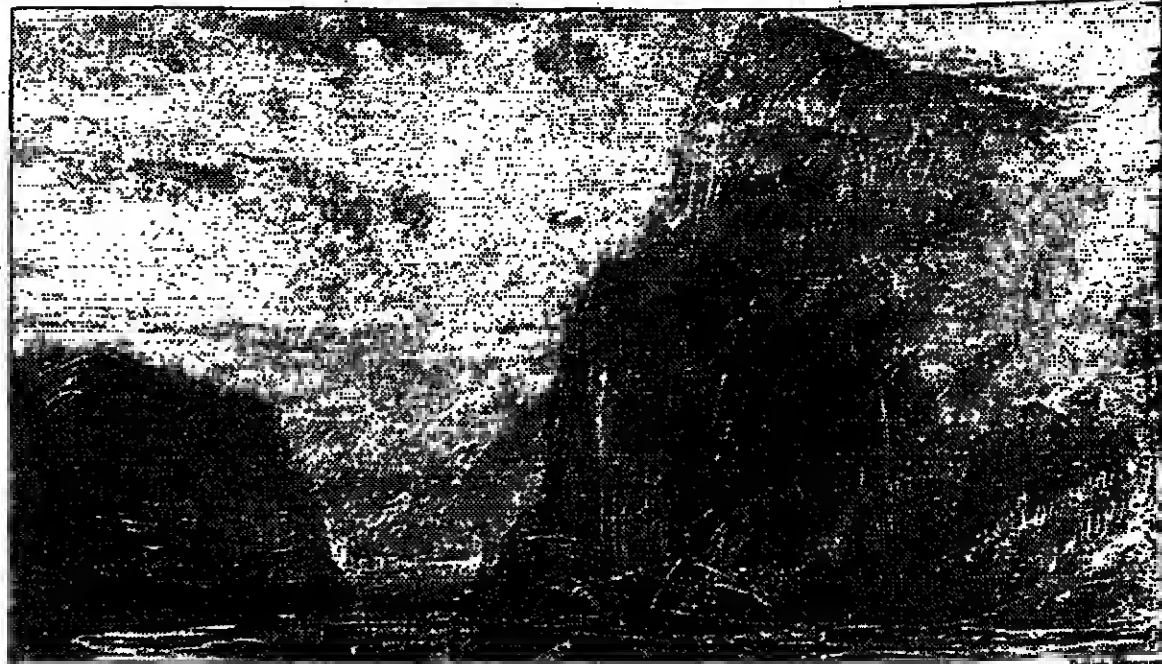
Lloyd, on the contrary, belonged to a generation that, barely aware of abstraction, was steeped in admiration for classicism. A man of eclectic tastes ranging from Chinese lacquer ware and Japanese blades to Swiss prints, Lloyd followed one rule that he never spelled out, probably because it was so obvious. To him art was structured, and carefully ordered.

This is not to say that it had to be fussily loaded with detail. The show opens with two sketches drawn in 1793 when Turner was 18. Done in staccato touches with the tip of the pencil, they are allusive in a composition that is, however, impeccably balanced.

But it is in the watercolors that Lloyd's vision comes out most clearly. Full of admiration for Turner's light as all those who love the artist, the collector sought to acquire watercolors in which light is an essential part of the overall balance and structure.

This could be so even in some of Turner's most precise architectural studies. One of his early masterpieces sketched in 1796 is an inside view of Westminster Abbey with Bishop Islip's Chapel on one side. It takes a while to realize that the lyricism of this faultless rendition of Gothic architecture is due to the light that floods the transept in the distance and seems to be wafting the pillars. Part of the chapel facade is illuminated by the sun, which projects on it an arch of light, the tip of which almost touches the intersection of the imaginary diagonals that determine classical composition. The effect is mesmerizing — the viewer's eye keeps returning to that lighted form.

In "The Castle of Chillon," the use of light as a means of structuring the composition is subtler still. Here the crossing of the diagonals that defines the focus is emphasized by light contrasts. A whole mountain is plunged in the cool darkness of early evening. This is set off by the gleam of



"Lurleberg and St. Goarshausen," a watercolor Turner painted after a Rhine tour in 1817.

a mountain in the distance, seen in the declining light of an invisible sun. Shadows gather on every side. The lake surface matches this with contrasts in dark light — blackish blue on one side of a curving line, pale blue on the other. There is little specific detail. It is all in suggestions, like some musical counterpoint of which snatches are caught, toned down by distance.

As time went by, Turner increasingly tended to place a patch of white sunlight just off the focal point. It could be a tiny touch on a dark ground, as in "Val d'Aosta," one of the most complex exercises in classical composition ever embarked upon by Turner. Here, the diagonals of the rectangular view intersect at the tip of the lighted edge of a small tower. Below, the facade of a narrow structure gleams against the pale purple wall of the tower. Above, lightness prevails, underneath is the world of dark tonalities. Secondary interplays of sunlight and shadow in each area further define the structure. An unreal dramatic sky is full of unexpected reminiscences of El Greco.

White light spread further in the central area of Turner's compositions. In "Prudhoe Castle, Northumberland," the diagonals cross at the tip of a triangular patch of water, which sends back steady reflections. There is a suggestion of early morning light. The landscape is plunged in a haze in the upper half, contrasting with a few hard elements in the foreground, a rock or two, an ascending country lane.

Seemingly seething with detail, the view, when closely looked at, turns out

to be as evocative as an Impressionist landscape albeit in a different fashion. Impressionism is nature transcribed in color tones and measured in intensity of light. Turner's sites, however real, are bathed in the light of dreams.

In one of his masterpieces structured in that suggestive fashion that crases details and leaves everything to lighted masses, as if the artist was looking through half-closed eyes, Turner reversed the effect. Darkness is at the center. "Keswick Lake, Cumberland" is a deep bay curiously reminiscent of the cliffs at Eretat, which the Impressionists later painted relentlessly. A grayish mountain is reflected in dark waters. The rest of the chain lightens up toward the left where it is shrouded in pale golden mist. To the right of the dark mass, light fills the sky. A rainbow rises only to fade out. A few tiny characters, and two puny dogs frolicking, introduce elements of concrete reality into this deeply poetic vision.

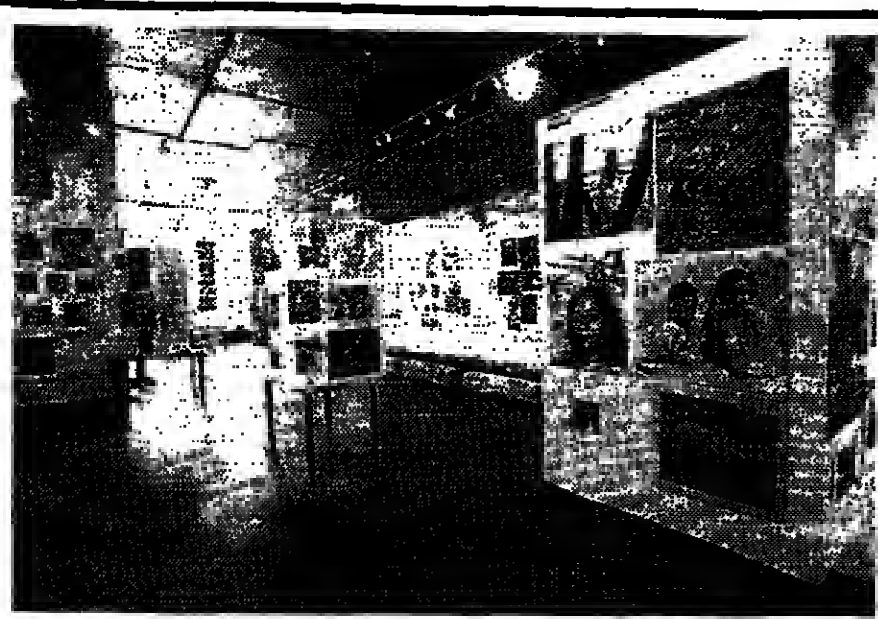
THE two ultimate masterpieces in the evocative genre in which light settles over nature like specks of colored dust were done by Turner in his last years. One is a bird's-eye view of Zurich seen from some eminence. A vast sprawling town emerges from the mist, between two hazy expanses of water. Pale yellow light comes down from the sky leaving a vertical trail of brilliance from the lake in the distance to the water spreading in the foreground. A multitude of tiny characters walking or riding can be faintly made

out in front of the city. With the combined effect of haze, light and surging movement, one is somehow reminded of Altdorfer's "Alexander's Battle" in Munich, despite the difference in scale and medium. Turner must have gazed at it for hours.

His other masterpiece is also a Swiss view, "Lucerne by Moonlight," done in 1843. Silvery light hovers over water, with the shadowy shapes of a medieval city appearing on the left. As rigorously structured as ever in its balance of suggested volumes, it owes its splendor to their extraordinary freshness, which it shares with all the other watercolors in the show.

This, they owe to a collector's obsession about preservation. Lloyd had them all fitted into purpose-built frames with roll-down blinds invented at Agnew's, the London gallery through which he bought his Turners. In his will, Lloyd stipulated that the watercolors were never to leave the British Museum except in an emergency. They could only be displayed during the first two weeks of February, when sunlight was weakest in the top-lit museum gallery.

The difference between two of his watercolors, removed from an album, sometime before 1927 when he bought them, and others also from the album (sold to different collectors), show the wisdom of Lloyd's obsessive concern. His watercolors retain the glow that transforms shapes. The present generations are unlikely to get a second chance of seeing Lloyd's bequest in its entirety. It should not be missed. Small as it may be, this is a major art show.



Janah's photographs of India from 1942 to 1978, on display in New York.

## Photo Chronicle of India From Another Angle

By Vicki Goldberg  
New York Times Service

NEW YORK — In the beginning, photography was referred to as the handmaid of art. It might have been called the valet of history as well, for it promised to serve its times, make them presentable and arrange for them to appear unwilted onstage before large audiences in very long plays. These services have been something of a mixed blessing. The handmaid eventually tried to usurp her mistress's place, and the valet often sent history into the world naked.

In almost every country, photographers picked up cameras and recorded people and events as a matter of course. Many of these dutiful guardians of history remained unknown outside their nation's borders, some almost unknown within them. Much has been written in our day suggesting that such photographers might see things differently from occupying powers or relative strangers.

A case in point is the work of Sunil Janah, an 80-year-old Indian photographer whose work during World War II, the struggle for independence and the postwar years in India is little known in the United States but highly regarded in his native land, where a limited number of images have been shown repeatedly. Now more than 300 of his photographs, many never exhibited or published anywhere before, are on view in "Sunil Janah: Photographing India 1942-1978" at the Gallery at 678 in New York, at 678 Broadway.

A few of Janah's pictures have been traveling in the United States for the last two years in a show and book called "India: A Celebration of Independence 1947-1997," and a larger exhibition was at Foteest in Houston in 1990, but other than 20 or so photographs at the Overseas Press Club in 1985, this is the first time his work has been shown in New York.

Ran Rahmani, curator of the current show, has grouped this huge outpouring of unframed pictures, which include exhibition prints, work prints and contact sheets, on large panels. The contact sheets reveal that the photographer radically cropped his pictures, excising heads from waist-length portraits to create tight close-ups. Explanatory captions provide indispensable background for some of the historical material.

Janah was a political reporter during World War II and for a short while afterward, taking many candid photographs of Gandhi, Nehru and other politicians and dramatic shots of demonstrations. Pictorial records can uncover the naked ironies of history. In a picture made in Calcutta in 1946, when rationing was still in force, people standing in line for food can be identified by their dress as a mixed group of Hindus, Muslims and Christians. Two days later, murderous riots broke out between Hindus and Muslims; Janah photographed bloated bodies lying in the street. Later still, he photographed the aftermath: a barbed-wire fence separating the Hindu and Muslim quarters.

Disgusted with politics, Janah soon gave up such reporting. For years he took studio portraits, strongly lighted, of India's leading political and artistic figures. He photographed famous dancers in sequences of stills and Hindu temple sculptures that celebrate some of the qualities visible in the dance. On commission, Janah also took highly designed industrial pictures that look like images of the 1930s, in part because they speak of a similar

level of hope in industrialization.

He photographed Indian tribal people extensively, evidently enjoying their openness and sensual ease. He recalls that working with these people was a great relief after hidebound middle-class Indian life. His pictures, which must have been meaningful to anthropologists, have turned into an irreplaceable record of people whose lives were later radically changed by development.

Americans saw India's complex and terror-filled progress to independence chiefly through Margaret Bourke-White's masterful photographs in Life magazine and her book "Halfway to Freedom," or through Henri Cartier-Bresson's on-the-spot reportage. A comparison of Janah's insider reports and Bourke-White's work is particularly revealing because he accompanied her and translated for her in some of her travels in India shortly before independence.

A reporter, he had become a Communist (like many in the intellectual classes at the

## A fresh vision of India emerges in the pictures of Sunil Janah, now 80.

time) as well as a professional photographer in 1942, to take pictures of the Bengal famine for People's War, the Communist magazine. Janah said the famine, which killed 2 million people in Bengal alone and then spread south, was caused by the diversion of plentiful supplies of grain to British troops, by middlemen who then set prohibitive prices, and by British destruction of the barges that might have carried what was available to stricken districts. None of this was reported in the mainstream press, which was censored by British authorities.

Janah photographed lines of emaciated people waiting for food, groups of skeletons, hungry dogs gnawing at human bones. People's War gave this secret famine enormous amounts of space. Postcards of Janah's images were printed and sent across the world to raise funds.

BOURKE-WHITE sought out Janah because of his reputation, skills and access. One group of photographs at the gallery shows Bourke-White with tripod and large-format camera. More provocative are a few images of the same subjects taken by both. The American knew how to make monumental and memorable images, full of dignity, sorrow and a formal air of permanence; temporary images elevated to mythic stature. The Indian was frequently more informal and candid, not necessarily better or worse but wholly different in approach.

Thus was history recorded simultaneously by photographers whose different equipment, nationalities, approaches and probably temperaments made it a variable commodity. Sometimes these two photographers worked on parallel rather than identical tracks, sometimes they went their own ways, but the distinctions often showed up nonetheless.

Bourke-White's bold, static, iconic images were an effective form of shorthand to sum up major events in a photo essay for a public that knew little of the place or people. Janah's style, similar in many ways to hers, tended to be looser, somewhat more caught on the wing and intimate.

## Magical Masks Guard Indian Tradition

By James Sterngold  
New York Times Service

VANCOUVER, British Columbia — The European settlers who came to this region more than a century ago struck up an oddly conflicted relationship with the native peoples. They suppressed what they saw as the Indians' backward religious beliefs, but eagerly embraced the most visible expression of their intensely spiritual culture, the aesthetically powerful masks used in many ceremonies.

From the time Captain James Cook made his famous voyage here in the 18th century to well into this century, the sophisticated ceremonial masks of the Pacific Northwest Coast Indians have been highly prized in the art world and purchased by connoisseurs and museums from Canada to Europe.

The collecting itself has had a fascinating legacy, as a striking new ex-

hibition here at the Vancouver Art Gallery demonstrates. While it commercialized this once-sacred art as early as the 1820s, transforming it into an export industry, it also did much to preserve the tradition — and, by extension, the vivid imagery of the Indians' spiritual world — while much of the native culture withered.

The exhibition, "Down From the Shimmering Sky: Masks of the Northwest Coast," a huge compilation of pieces from collections in North America and Europe that runs through Oct. 12, is one of the most heavily attended shows ever at the gallery, the principal public art museum of Western Canada.

The 179 masks on display, representing everything from killer whales and bears to supernatural beings, the sun and ancestors, are penetrating and at times emotionally intense representations of the spiritual world of the Northwest Coast Indians.

Their artistry can be stunning. Carved mostly from cedar, they tend to be regally realistic, with heavy eyebrows, open mouths and open eyes. Most were painted with dynamic geometric patterns in red, blue, turquoise and black.

Robert Joseph, a hereditary chief of the Kwakwaka'wakw tribe and one of the show's curators, emphasized the significance of exhibiting the masks in the Vancouver, a gallery of the Canadian establishment normally devoted to contemporary art.

"It made a statement about our history and our place here," he said. "These masks continue to have meaning and continue to have a purpose for our communities, and I think that comes across here very strongly."

The show has helped open up to the world some of the innermost recesses of Indian culture, an achievement that has stirred some controversy within the native communities of British

Columbia. The opening ceremony last month, for example, included a dance that had previously been performed only on ceremonial occasions before an Indian audience. Some of the masks in the show, particularly those of mythical cannibal beings, are so sacred to some Indians of the region — tribes like the Haida, Nuxalk, Tsimshian, Tlingit and Heiltsuk — that they argued they should not be put on display at all.

But Peter Macnair, another of the curators, said the exhibit was important partly because it returns to their homeland many masks that were taken away by Indian agents, collectors and dealers more than a century ago. An enormous amount of research went into locating and identifying important masks, he said, including some taken away by Captain Cook and others that were captured in photographs before they were whisked away to collections.

## BOOKS

## BADGE OF COURAGE: The Life of Stephen Crane

By Linda H. Davis, 414 pages, \$35. Houghton Mifflin.

Reviewed by Jonathan Yardley

STEPHEN CRANE died on June 5, 1900, at the age of 28, his career as a published writer having lasted only four years, yet in that brief time he produced, according to his most recent — and best — biographer, "five novels, two volumes of poetry, three big story collections, two books of war stories, and countless works of short fiction and reporting." He also produced one of the enduring legends of American literature, "long... shrouded in myth and rumor, in the fantastic tales that began to form around him when he became world famous at the age of 25."

The Crane legend has been fed over the years by his biographers, the first and most influential of whom, the gifted journalist Thomas Beer,

wrote almost as much fiction about Crane as Crane had written about his own invented characters. As Linda Davis notes, Beer "apparently fabricated letters of Crane's and even invented stories and romances — including one with a woman named Helen Treat — which were for years picked up as fact by subsequent scholars, writers and biographers." The result has been a life's story so lost in fantasy as to bear no real relationship — except, perhaps, metaphorically — to the actual Stephen Crane.

At a certain level this makes absolutely no difference. The lives of authors, as so many of them have said over the years, exist apart from their work and should not be confused with it. The most interesting aspects of those lives are almost always internal and thus almost always elude even the most scrupulous biographer's grasp. What matters about Crane is what he wrote, not what he did.

Except that Crane, like Jack London and Ernest Hemingway, led a public as well as an internal life. Not merely did he write what remains, a century after its publication, the greatest of American war novels, "The Red Badge of Courage," but he was the first great American war correspondent. Utterly untrained in military skills or

discipline, slight of build and unimpressive of manner, he took his notebooks into battle with a disregard for his own safety that made him, "depending upon the observer... either the bravest man one had ever seen under fire or the most reckless."

Not merely that, but Crane conducted an amatory life that aroused intense scrutiny in his own time and continues to invite it in ours. Intensely, incurably romantic, he formed numerous romantic attachments — the exact nature of which is not always clear. The most celebrated, or notorious, of these attachments was with Cora Taylor, a prostitute who became his common-law wife and accompanied him to England; there, in the last years of his life, he and she participated in literary and social affairs with the likes of Joseph Conrad and Henry James.

Davis cuts through the legend and romance with what appears to be a sharp, clean scalpel. Without denying Crane any of his glamour or drama, she gives a convincing portrait of a man who, raised in a word-haunted, perfectly religious household, made language and faith — or the absence of faith — the touchstones of his writing life. She describes with vivid detail the sordid city streets to which the youthful Crane was drawn and out of which

emerged his first masterpiece, "Maggie: A Girl of the Streets." She gives as well a convincing account of how "The Red Badge of Courage" came into being, born in the reading and imaginings of his boyhood, transformed in to enduring fiction as its author was in the first breath of maturity.

Crane was a professional writer who earned, in the full length of his career, "just over \$1,200 for his entire American output, at a time when the country's per capita income was \$1,200 annually." Like writers of later generations who engaged in various forms of hack work to underwrite their serious work — Fitzgerald and Faulkner come immediately to mind — he chafed against the demands this placed upon him, as a young and unknown Willa Cather noted:

"He gave me to understand that he led a double literary life; writing in the first place the matter that pleased him and doing it very slowly; in the second place, any sort of stuff that would sell. And he remarked that his poor was just as bad as it could possibly be. He realized, he said, that his limitations were absolutely impassable. 'What I can't do, I can't do at all, and I can't acquire it. I only hold one trump.'"

Inasmuch as Cather met Crane in the mid-1890s while he was in the West, writing several pieces about the land there and the people who had settled it, presumably it is this work to which he referred so disparagingly. Mistakenly as well, for though some of it is written in an English that we now find stilted, much of it is perceptive and accomplished, journalism of a very high order. The same must be said of his war correspondence.

But mostly readers turn to his two great if slight novels, "Maggie" and "Red Badge," to his handful of masterly short stories ("The Open Boat," "The Blue Hotel") and to his wonderfully enigmatic poems. It is a small body of work but a significant and lasting one. Crane followed the example of his friends and mentors, Hamlin Garland and William Dean Howells and expanded upon it, bringing American writing out of Victorian gentility and overripe prose, passing it down and making it far more "American" than it had been. In time his own example became far greater than his mentors' had been, and he had protégés far too numerous to count; but it is his work, not his influence, that still commands our attention. Davis has done it, and him what looks to be full justice.

Washington Post Service

## ARTS

## FIAC

7-12 October '98  
Espace Eiffel-Brancly - ParisCountry of France  
ArtistsSt. Nicolas  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pmArtists  
from 12pm to 8pm

One hour from Paris - Highway A1, exit no. 9

## COMPIEGNE

From Sept 4 - 7 1998

31st antique show  
St Nicolas Hall - historical site  
Presence of expert

Free entrance upon presentation of this coupon

For a Free copy of  
The International Herald Tribune  
Art Guide

In Paris write to: Enzo Lucifero  
International Herald Tribune  
181 avenue Charles de Gaulle, 92521 Nanterre Cedex, France

In New York write to: Adele Grossman  
International Herald Tribune  
850 3rd Avenue - New York 10022

NEW AUTHORS  
PUBLISH YOUR WORK  
ALL SUBJECTS CONSIDERED  
Authors world-wide invited  
Write or send your manuscript to  
MINERVA PRESS  
2 OLD BROMFORD RD. LONDON SW15 2SD

مكتبة النهر



## U.S. Stocks Suffer From Global Blues

Emerging-Market Drop Seen Hitting Firms' Sales

Compiled by Our Staff From Dispatches

**NEW YORK**—U.S. stocks fell for a third straight day on signs that the Russian financial crisis and slowing growth in other emerging markets are hurting U.S. corporate profits.

The Dow Jones industrial average fell 14.31 points to 8,051.68, bringing its loss for the week to 5.6 percent. The 30-stock average is now up just 1.8 percent for the year. Declining issues outnumbered advances by a 7-to-3 margin on the New York Stock Exchange.

The Nasdaq composite index, which contains many high-technology issues, fell 46.59 points, or 2.8 percent, to 1,639.82. Makers of computers and software fell, and stocks in the high-flying Internet sector got a heavy dose of reality. On-line directories, retailers and search engines were among the biggest decliners on Wall Street. The Nasdaq fell 8.8 percent this week, and is now only up 4.4 percent for the year.

"With Russia having problems, some people are saying, 'Are there dominoes here? Is there a Latin American country that's next?'" said Robert Doll, manager of the \$2 billion Oppenheimer Growth Fund. In that case, "what happens to economic growth and earnings in the U.S.?"

"Most major Latin American bourses bounced back after sharp declines on Thursday, while most of the major European markets fell. Eastern Europe was particularly hard hit."

In Asia, Tokyo blue-chips dove to a 12-year low, and Hong Kong's key index fell 1.2 percent despite heavy buying by the market.

Despite the global sell-off, Russia's largest stock exchange closed up 5.6 percent in light trading.

In the United States, banking stocks fell for a third day. BankAmerica fell 4 1/4 percent, revealing it lost \$220 million from trading this quarter, mostly in Russia, Credit Suisse First Boston, Republic New York Corp. and the hedge funds run by the investor George Soros have made similar disclosures.

"Stocks pared losses as investors turned to the stock market's traditional safe havens, bidding up steady-earning food shares and high-yielding telephone and electric utility stocks."

Analysts said technology stocks were hit hard because many computer companies have considerable exposure to the various crises overseas. Dell, Microsoft and Cisco Systems all fell.

Technology issues also fell because the shares are still higher than justified by the outlook for profits, analysts said.

See MARKETS, Page 10



Ahmad Mohamed Don, the head of Malaysia's central bank, in a file picture.

## Malaysian Bank Governor Quits

2 Top Officials Resign in Dispute Over Proposed Currency Controls

By Thomas Fuller  
International Herald Tribune

**KUALA LUMPUR**—Malaysia's central bank governor and his deputy abruptly resigned Friday over what a close aide called "major policy differences" with the government, including a disagreement over the possible implementation of currency controls.

The move leaves Prime Minister Mahathir bin Mohamad, who has openly expressed his disapproval of central bank decisions in recent months, with almost total control over economic policy.

Some bankers and market players have speculated in recent days that the government was considering imposing controls on the flow of ringgit out of the country, a plan that would seem to fit with Mr. Mahathir's repeated calls for controls in the foreign exchange market.

The ringgit has lost more than 40 percent of its value since Asia plunged into economic trouble over a year ago. The national economy contracted by

nearly 7 percent in the second quarter of this year, forcing the government to announce officially Thursday that the country was in a recession.

Malaysia's plan for combating the economic trouble calls for increased government spending and lower interest rates. Both measures are designed to help cash-strapped companies. A consequence of the lower rates, however, is a weaker ringgit, as money flows out of Malaysia into other markets, including neighboring Singapore, where interest rates on ringgit accounts are significantly higher than in Malaysia.

For months, Malaysia has sent confusing signals over the direction of its economic policy. Finance Minister Anwar Ibrahim, at odds with the prime minister, has called for austerity measures and high interest rates of the sort usually recommended by the International Monetary Fund. He has maintained since the trouble began that Malaysia would not impose any controls on its currency.

But on Friday, he said that the government was considering such policies

and that it might announce details soon.

The central bank governor, Ahmad Mohamed Don, and his deputy, Fong Weng Phak, are known as supporters of the finance minister.

"The governor is a man of principle," said the governor's aide. "If there are any capital controls coming, I don't think he was going to sign it. The best thing for him was to go before that."

Mr. Mahathir, who has been in power for 16 years, has slowly consolidated his position within the ruling party as well as over economic policy. In June, he appointed a close friend and former finance minister, Daim Zainuddin, to be economic czar.

Together, Mr. Mahathir and Mr. Daim have overshadowed the influence of Mr. Anwar, who is deputy prime minister as well as finance minister.

"Bank Negara was the last hasoon of Anwar's support," said the head of a think tank here who wished to remain anonymous. He was referring to the central bank.

## MARKETS IN TURMOIL: SURVEYING THE DAMAGE

### Corralling Russia's Cowboy Banks

They Gave Easy Credit and Got High Returns, but Then the Gate Shut

By Michael Wines  
New York Times Service

**MOSCOW**—It was a brief but wild ride for Russia's cowboy banks, which are saddled up on a crumbling economy and headed for disaster.

They gave the government easy credit and got hooked on the returns, and when things started going really sour two weeks ago, their flight to the dollar made the situation worse. Now the Russian banking system is insolvent, the victim of mismanagement, bad bets on the ruble and investments in near-worthless government bonds.

Capping two weeks of increasingly alarmist rumors, the Russian government said Thursday that it intended to nationalize SBS-Agro Bank, by most measures the country's third-largest. Within minutes, five more major banks announced plans to merge.

In two days, 10 of the country's 15 biggest banks have either combined, folded or been earmarked for government takeover. By one estimate, they are collectively at least \$4 billion in the hole, a figure that keeps growing as the ruble continues to shrink.

The remaining 1,300 or so banks are being dragged along in the fiscal undertow. Many will not be missed, for

Russian banks are not banks as Westerners know them, and most Russians keep their savings either at home or in the giant, government-owned Sberbank, which almost certainly will not be allowed to go under.

Of the smaller houses, some are money-launderers; some currency speculators; some investment houses or pension funds or insurance companies or conduits to offshore subsidiaries.

The biggest are cash drawers for vast conglomerates, moving money among their component companies. "Under normal market conditions, banks would fail," said Alex Kotchergine, the bank credit specialist for Russia and Eastern Europe for Paribas European Investment in London. "But there are no normal market conditions in Russia, as we have all learned."

Instead, there is an open struggle over whether to let the banks die or use the country's dwindling resources to keep them on life support.

Neither alternative is pleasant: One wipes out up to 80 percent of all banks, with unknown effects. The other requires printing more money to shore up sickly banks and their wealthy owners — and that would threaten to reignite inflation.

[The Bank of Russia said on Friday

that it will sell new Treasury bills next week to help banks cope with their payments crisis, Bloomberg News reported.]

[The Central Bank said it will sell about 1 billion rubles (\$90 million) in two-week bills on Wednesday to give banks more financial instruments to cope with the cash crisis. The government on Aug. 17 froze trading of government bills and bonds after announcing it will restructure all ruble-denominated debt due before the end of next year.]

Russia's ousted economic reformers, along with the Western investors who stand to lose billions from a total collapse of the system, want the government to shut down the sickest banks and focus its rescue on the few worth saving. So, it is said, do banks controlled by industrial behemoths — so-called oligarchs — whose businesses benefit from foreign trade and Western credit, such as oil exporters.

But some of the sickest banks, controlled by other oligarchs, are dead set against that. The board of SBS-Agro said Thursday night that it had been blindsided by the government's

See BANKS, Page 13

### Russian Blend

A disparate set of financial institutions are planning to merge as Russia's banking system crumbles. Banks that finance industries would join with banks that are owned by industries, and money-lending institutions would merge with those that invest in corporations.

▲ Announced a five-way merger Thursday, including a smaller bank, Mezhsobbank

■ Announced a three-way merger Aug. 23

BANK	BUSINESS TIES	ASSETS (IN BILLIONS)
Sberbank	State-controlled	\$31.35
▲ Inkombank	Chocolate, paper, metals, aircraft	5.59
SBS-Agro	Agricultural lending	4.41
■ Unexim Bank	Metals, oil, foreign trade, pensions	3.77
Vneshtorgbank	State-controlled	3.17
■ Menatep Bank	Oil, mining, paper, chemicals, textiles, media	3.06
Bank of Moscow/ Moshbusinessbank	City-owned	2.55
Rossiskiy Kredit	Metals, mining, timber	2.40
Gazprombank	Gazprom (natural-gas monopoly)	1.93
▲ National Reserve Bank	Gazprom, government securities, corporate equity	1.64
Imperial	Gazprom	1.59
■ Most Bank	Media, construction, investment	1.43
▲ AvtoBank	Corporate banking	1.40
▲ Alfa Bank	Cement, oil, real estate, food retailing	1.18
United Bank	Aeroflot, oil, auto distribution, media	

Sources: Profile, Brunswick Warburg

\*Data not available.

NYT

## Decline in Stock Prices Could Bring More Realistic Price/Earning Ratios

By Robert O'Harrow Jr.  
Washington Post Service

**NEW YORK**—The sharp slide of stock prices in recent weeks has dented a lot of investor portfolios. But Wall Street analysts say the drop also may have the long-lasting benefit of bringing down sky-high stock valuations.

From the market peak of July 17 until Wednesday, the average valuation of companies in the Standard & Poor's 500-stock index had dropped more than 8 percent, from 24 times earnings expected over the coming year to 22 times, according to First Call, which tracks corporate earnings.

That price-to-earnings ratio came down still more Thursday as the market suffered its largest decline of the year.

The Dow Jones industrial average dropped 357.36 points, or 4.19 percent, to 8,165.99, while the S&P 500 declined 41.68 points, or 5.84 percent, to 1,042.51.

Money managers and analysts said they were not being merely optimistic

when they draw attention to such matters.

Corporate earnings remain fundamentally important to the market's performance. Unless stock prices get better in line with those earnings, the market cannot continue the extended rise that began in the early 1980s.

Henry Cavanaugh, the senior equity portfolio manager for J.P. Morgan Investment Management, said current price-earnings levels remain too high for his comfort.

The historic average for the price-earnings ratio of the S&P 500 is about 14.

The current price-earnings ratio of 22 is "still a very high level, but a more reasonable level," he said. "We're adjusting back, bringing the fundamentals back in line."

The impact on large blue-chip companies has been pronounced since the market's peak. The price-earnings ratio for General Electric Co., for instance, declined by 6.5 percent, to 30, on Wednesday. Coca-Cola Co.'s price re-

lative to its earnings was down 7 percent, to just over 46. For Lucent Technologies, the decline was nearly 12 percent, to about 45.

Depending on whom you talk to and their expectations, those drops represent either a source of angst or an opportunity.

Bill Pecorello, the beverage analyst for Sanford Bernstein, said he believed the lower ratio for Coke, for example, would only help in the long run.

For alert investors who believe in the company and others like it, he said, the change could be a bargain. But he cautioned that for Coke, much depends on how bad matters become in Latin America, where the company sells about a quarter of its beverage volume. Coke could continue to decline if demand declines.

"Ultimately, if you're looking out three or five years, this creates a buying opportunity," Mr. Pecorello said.

The market Thursday also sharply underscored the differences among market indexes, such as the Dow, the

S&P 500, the Nasdaq composite and the Russell 2000.

These indexes do not rise and fall together because the companies they represent are very different.

The Dow, for instance, comprises 30 large, highly capitalized stocks such as AlliedSignal Inc., American Express Co., Boeing Co. and Philip Morris Inc.

Such companies are generally considered more mature and so less volatile than startups. As of Thursday, the Dow was still up 3.26 percent for the year. Many analysts look to the broader

S&P 500 index to give a clearer picture of the market's direction.

It is specifically created to chart the performance of the overall economy and includes companies from virtually every sector.

On Thursday, the S&P was up 7.44 percent for the year.

The Nasdaq index has a very different composition, with a heavy influence from technology and health-care companies.

Generally speaking, the companies included are less mature and have higher expectations for growth. On Thurs-

day, the Nasdaq is up 7.39 percent for the year.

One of the hardest hit indexes this year is the Russell 2000. It is down 16.23 percent, in part because it tracks small companies, which are the most volatile. Companies in the Russell index have suffered from investors' flight to safety — large, safe havens such as Coke, International Business Machines Corp., General Electric and other blue-chip issues.

The spread between all of these indexes has been very wide, Mr. Cavanaugh said.

## Russian Dreams Become Nightmares

Flood of Foreign Funds Failed to Propel Nation Into the Modern World

By Clay Chandler  
Washington Post Service

**WASHINGTON**—Since the collapse of the Soviet Union in December 1991, Western leaders have struggled to find ways to coax Russia's underdeveloped, creaky, state-controlled economy into the capitalist free-market world.

The International Monetary Fund funneled billions of dollars in assistance to Russia under much looser terms than those that were applied to other borrowers in the world.

The Group of Seven industrialized nations invited President Boris Yeltsin to join their annual economic summit meetings, despite Russia's relatively puny economy for such a sprawling nation with so many natural resources, and its tenuous financial links to the developed world.

And global investors gobbled up Russian stocks and bonds in the hope that capitalism would flourish on the broken dreams of communism.

But this week, those grand aspirations lay in tatters. With the ruble in freefall, reform-minded leaders chased from power, and with Moscow effectively abrogating financial commitments to foreign lenders, a chorus of Western experts asserted that — for the present at the very least — the Russian economy has been lost.

"I don't see that there is much that the

West can do for Russia, given the present state of uncertainty and lack of economic discipline," said Jeffrey Shafer, former undersecretary for international finance in the Treasury Department.

"The resources that were made available earlier have been squandered," he declared.

"The money that we still have," he added, "should be focused for countries that are committed to reform, and look strong enough to make it."

Russia "is an economy that is headed down a slippery slope at an accelerating pace," warned Ben Slay, senior economist at PlanEcon Inc., an economic forecasting concern.

His advice to policymakers and investors alike: "Hang on to your hat — at this point, there's not much else anyone can do."

That sense of futility is felt all the more keenly because the financial upheaval is inflicting harsh pain on markets elsewhere in the world — whether or not they have strong direct ties to the Russian economy.

Market analysts said the global sell-off partly reflected the financial pressures buffeting large investment funds that specialize in "emerging" or "developing" markets in Russia, Eastern Europe, Asia and Latin America.

Heavy losses in Moscow, they said, can lead investors to pull money out of emerging markets funds altogether.

To honor claims as clients cash out,

the funds are obliged to unload holdings in other markets, such as those in Venezuela or Brazil.

Russia's troubles also are making it more expensive for other developing economies to borrow capital.

Desmond Lachman, emerging markets specialist at Salomon Smith Barney, notes that the issuers of bonds in emerging economies that have almost nothing to do with Russia are now obliged to offer much higher interest rates than they were before last week's devaluation.

That, in turn, can undermine profits of U.S. firms that count the emerging markets among their best customers.

Western leaders admonished the new Russian government not to abandon its commitment to market reforms.

If the new leadership "changed course in any kind of fundamental way, that would be of serious concern to us," warned Mr. Clinton's national security adviser, Samuel Berger.

In Berlin, Chancellor Helmut Kohl said Moscow would receive no new financial assistance if it retreated from promised reforms.

But many analysts argued it would be folly to throw money at Russia now.

"I don't see what more we could possibly do to help at this stage," said Barry Ickes, an economist at Pennsylvania State University who specializes in Russian affairs.

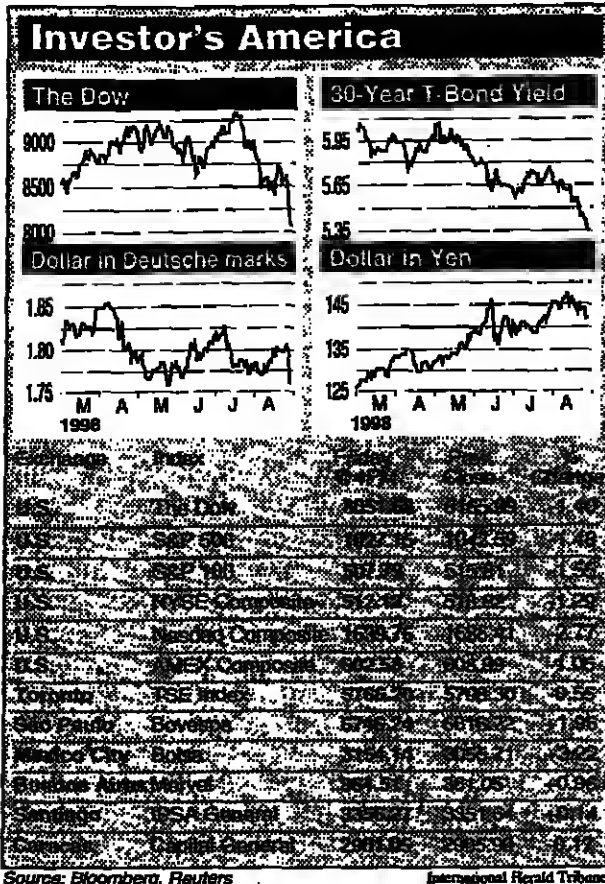
"Fundamentally, this is something that Russia has done to itself."

## CURRENCY & INTEREST RATES

Aug. 28									
Cross Rates									
	U.S.	Yen	DM	£	Sc	Sw	Nor	DK	Fin
Australia	1.52	106.5	163.5	65.5	13.5	10.5	8.5	7.5	6.5
Canada	0.71	53.2	81.7	32.7	6.7	5.2	4.2	3.7	3.2
France	0.66	50.0	75.0	30.0	6.0	4.5	3.5	3.0	2.5
Germany	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
Italy	0.94	71.0	106.5	42.0	8.5	6.5	5.0	4.5	3.5
Japan	1.00	100.0	150.0	60.0	12.0	9.0	7.0	6.0	5.0
Netherlands	0.67	51.0	76.5	31.0	6.2	4.6	3.6	3.1	2.6
Sweden	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Switzerland	0.75	57.0	85.5	34.0	7.0	5.0	3.8	3.3	2.8
U.K.	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
U.S.	1.00	100.0	150.0	60.0	12.0	9.0	7.0	6.0	5.0
Yen	1.00	100.0	150.0	60.0	12.0	9.0	7.0	6.0	5.0
DM	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
£	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
Sc	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Sw	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Nor	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
DK	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Fin	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Libid-Libor Rates									
	1-month	3-month	6-month	9-month	12-month	15-month	18-month	21-month	24-month
U.S.	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Yen	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50
DM	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00
£	3.50	3.75	4.00	4.25	4.50	4.75	5.00	5.25	5.50
Sc	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00
Sw	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00
Nor	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00
DK	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00
Fin	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00
Key Money Rates									
	U.S.	Yen	DM	£	Sc	Sw	Nor	DK	Fin
U.S.	1.00	100.0	150.0	60.0	12.0	9.0	7.0	6.0	5.0
Yen	0.01	1.00	1.50	0.60	1.20	0.90	0.70	0.60	0.50
DM	0.01	0.63	1.00	0.40	0.80	0.60	0.50	0.40	0.30
£	0.01	0.63	0.63	1.00	0.80	0.70	0.60	0.50	0.40
Sc	0.01	0.90	0.90	0.90	1.00	0.90	0.80	0.70	0.60
Sw	0.01	0.90	0.90	0.90	0.90	1.00	0.90	0.80	0.70
Nor	0.01	0.90	0.90	0.90	0.90	0.90	1.00	0.90	0.80
DK	0.01	0.90	0.90	0.90	0.90	0.90	0.90	1.00	0.90
Fin	0.01	0.90	0.90	0.90	0.90	0.90	0.90	0.90	1.00
Other Dollar Values									
	U.S.	Yen	DM	£	Sc	Sw	Nor	DK	Fin
Australia	1.52	106.5	163.5	65.5	13.5	10.5	8.5	7.5	6.5
Canada	0.71	53.2	81.7	32.7	6.7	5.2	4.2	3.7	3.2
France	0.66	50.0	75.0	30.0	6.0	4.5	3.5	3.0	2.5
Germany	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
Italy	0.94	71.0	106.5	42.0	8.5	6.5	5.0	4.5	3.5
Japan	1.00	100.0	150.0	60.0	12.0	9.0	7.0	6.0	5.0
Netherlands	0.67	51.0	76.5	31.0	6.2	4.6	3.6	3.1	2.6
Sweden	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Switzerland	0.75	57.0	85.5	34.0	7.0	5.0	3.8	3.3	2.8
U.K.	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
U.S.	1.00	100.0	150.0	60.0	12.0	9.0	7.0	6.0	5.0
Yen	1.00	100.0	150.0	60.0	12.0	9.0	7.0	6.0	5.0
DM	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
£	0.63	48.0	72.0	28.0	5.8	4.2	3.2	2.8	2.2
Sc	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Sw	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Nor	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
DK	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Fin	0.90	69.0	103.5	41.0	8.0	6.0	4.5	4.0	3.0
Forward Rates									
	30-day	60-day	90-day	120-day	180-day	240-day	360-day	480-day	600-day
Forward Sterling	1.6444	1.6417	1.6392	1.6365	1.6338	1.6311	1.6284	1.6257	1.6230
Forward Yen	1.5728	1.5701	1.5674	1.5647	1.5620	1.5593	1.5566	1.5539	1.5512
Forward Dollar	1.7073	1.7046	1.7019	1.6992	1.6965	1.6938	1.6911	1.6884	1.6857
Sources: ING Bank (Amsterdam); KBC Bank (Brussels); Banca Commerciale Italiana (Milan); Paribas S.A. (Paris); Citicorp (New York); Royal Bank of Canada (Toronto); Deutsche Bank (Frankfurt).									



## THE AMERICAS



Source: Bloomberg, Reuters

## Dollar Falls On Fears of Rate Drop

Bloomberg News

NEW YORK — The dollar tumbled against European currencies, suffering its worst drop against the Deutsche mark in three years, as U.S. stocks fell and on concern the Federal Reserve Board to lower interest rates.

The dollar was quoted at 1.7590 DM, down from 1.7957 DM on Thursday, its worst daily drop since September 1995.

"There's a complete uncertainty about where to turn, where to invest, what is safe haven and what isn't," said Maureen McFarland, currency

## FOREIGN EXCHANGE

strategist at MacKay Shields Financial Corp. "People are saying, 'Look what's happening around the world. The Fed is going to ease.' That's going to bring the dollar down."

The dollar was little changed against the yen, at 141.975 yen compared with 141.800 on Thursday.

The dollar had gained against the yen in earlier trading as the Nikkei stock index in Tokyo plunged to its lowest level in 12 years, sapping demand for the Japanese currency.

"When the Nikkei broke the 14,000 level, that made people very nervous," said John McCarthy, manager of foreign exchange at ING Barings Capital Markets. "It implied general weakness in the banking sector, and people sold the heck out of the yen."

U.S. stocks slumped for a third day as investors worried that Russia's economic woes would spread to emerging markets, including Latin America, which in turn could dent U.S. corporate profits.

"The U.S. exposure to Latin America is much greater than Europe's exposure to Russia," said Hugh Walsh, senior trader at Commerzbank AG. "If the malaise trickles into Latin America, that would be very bad for the U.S."

Weaker Latin American currencies reduce the purchasing power for U.S. goods.

In Mexico, the biggest importer of U.S. products after Canada, the peso has fallen more than 10 percent against the dollar in the past month.

Against other major currencies, the dollar fell to 5.9960 French francs from 6.0250 francs and to 1.4403 Swiss francs from 1.4820 francs. The pound rose to \$1.628 from \$1.6550.

## Tellabs' Price for Ciena Is Reduced Sharply

Compiled by Our Staff From Dispatches

LISLE, Illinois — Tellabs Inc. said Friday it had renegotiated the terms of its proposed acquisition of Ciena Corp., a rival telecommunications equipment maker, cutting the value of the deal by more than a third, to about \$4.7 billion.

The companies originally agreed to an exchange of stock worth about \$7.1 billion, but a revision had been widely expected following a recent drop in the prices of both companies' shares after Ciena warned that its third-quarter results would fall short of expectations.

Under the new terms, Ciena shareholders will get 0.8 of a Tellabs share for each of their Ciena shares. This ratio values each Ciena

share at \$46.25, based on Tellabs' closing stock price Thursday of \$37.81. The original deal, announced June 3, was for a one-for-one share swap. Ciena shares closed up \$4.50, at \$35.3125, on Friday. Tellabs shares were down \$8.8125 at \$49.

Investor concern over the proposed deal continued after warnings this month by Ciena that its third-quarter earnings would be less than what analysts had expected. It also announced that AT&T Corp. had decided not to further evaluate for purchase Ciena products that increase the capacity of fiber-optic telephone lines and data networks.

Tellabs added an additional caution Friday, saying that the purchase

of Ciena could hurt its 1999 earnings by as much as 15 cents a share.

"There's too much uncertainty in the Ciena business to pay this price," said Scott Vergin, a fund manager for the Lutheran Brotherhood Foundation, which owns about 678,000 Tellabs shares.

"There's definitely concern about whether Ciena can compete," Keith Ferguson, an analyst at Loomis, Sayles & Co., which owns about 744,000 Tellabs shares, said.

The market was expecting Tellabs to walk away from the deal or to get better terms.

The Ciena and Tellabs boards have approved the new terms, the companies said in a joint statement. Special shareholder meetings set

for Sept. 9 for the purpose of approving the merger are expected to be adjourned to allow shareholders time to review the terms.

Ciena says the acquisition will enable it to offer a complete line of products to phone companies to help carry more data at higher speeds. It would combine Ciena's capacity-boosting equipment with Tellabs products that route traffic on local phone networks.

Some investors who are not pleased with the price agree with the strategy.

"It's the right move," Mr. Vergin of Lutheran Brotherhood said. "Tellabs products are getting older, and they need a new leg of growth."

(Reuters, Bloomberg)

## Americans Earning More but Spending Less

The Associated Press

WASHINGTON — Americans held onto more of their rising incomes in July, government data that were made public Friday showed, leaving analysts wondering if a spending spree that has buoyed the U.S. economy is ending.

Consumer spending, which accounts for two-thirds of the U.S. economy, fell 0.2 percent — the first drop in two years — to a seasonally adjusted rate of \$3.8 billion. Personal incomes rose by 0.5 percent in the month to a seasonally adjusted annual rate of \$7.14 billion.

Strikes at General Motors Corp., which were not settled until late July, emptied some dealers' lots and sales incentives that boosted other sales in May and June expired.

In June, incomes rose 0.3 percent, the Commerce Department said, while consumer spending was up 0.6 percent.

What may be a temporary decline in purchases of motor vehicles accounted for the decrease in July spending, the Commerce Department said. Purchases of other goods and services continued to increase modestly.

Strikes at General Motors Corp., which were not settled until late July, emptied some dealers' lots and sales incentives that boosted other sales in May and June expired.

"Excluding that, consumption would have been pretty healthy," said Sung Won Sohn, chief economist with Norwest Corp. in Minneapolis. "But the main concern is where we go from here?"

About a quarter of recent consumer spending, which until July had increased every month since June 1996, has been attributable to Americans' stock market winnings, the economist estimated.

But in the last few weeks, the Dow Jones industrial average has dropped more than 13 percent as traders showed fear that lingering

financial problems in Asia — and now the crisis in Russia — will drag down the U.S. economy.

Consumer confidence also slipped for the second successive month, according to a report this week by the Conference Board, a private business research group.

The government reported this week that the gross domestic product — measuring the total output of goods and services — rose at an annual rate of just 1.6 percent from April to June, a dramatic slowdown from a 5.5 percent growth rate in the first three months of the year.

## Very briefly:

• McKesson Corp., the largest U.S. drug wholesaler, will buy Baker/Automated Prescription Systems Inc. for about \$154.9 million in stock and debt to expand its line of automated drug-dispensing systems.

• Mitsubishi Motors Corp. and the United Auto Workers reached a tentative agreement, avoiding a strike at the Japanese automaker's assembly plant in Normal, Illinois.

• Bay View Capital Corp. canceled its planned \$153 million acquisition of FSB Lending Corp. after federal regulators issued new guidelines limiting the amount of high loan-to-value home loans a thrift may hold.

• Cadence Design Systems Inc. will buy the Bell Labs Design Automation Group from Lucent Technologies Inc., putting Cadence's marketing muscle behind Bell Labs' advanced chip-design technology. Terms of the deal were not disclosed.

• Brazil's unemployment rate rose in July, to 8 percent, its highest level in 14 years, from 7.9 percent in June, as high interest rates continued to hurt the country's economy.

• Coca-Cola Co. signed an agreement to invest \$36 million to build a bottling plant and 10 depots in Angola, part of its strategy to double its soft-drink sales in Africa by the end of 2003.

Bloomberg, Reuters

## The Trib Index

	Jan. 1, 1992 = 100	Level	Change	% Change	Year to date % Change
World Index	175.84	175.84	-1.52	-0.86	+2.17
Regional indexes					
Asia/Pacific	89.34	89.34	-1.87	-2.63	-27.82
Europe	211.38	211.38	+0.34	+0.16	+9.49
N. America	238.69	238.69	-4.26	-1.75	+10.51
S. America	84.90	84.90	+1.18	+1.41	-44.39
Industrial indexes					
Capital goods	238.19	238.19	-4.19	-1.73	+15.31
Consumer goods	219.17	219.17	-0.50	-0.23	+4.47
Energy	176.75	176.75	-1.58	-0.87	-8.94
Finance	113.34	113.34	-1.83	-1.51	-2.04
Food	136.19	136.19	-1.46	-1.07	-9.80
Miscellaneous	161.84	161.84	+1.91	+1.19	-3.23
Raw Materials	191.37	191.37	-1.60	-0.83	+9.79
Services	191.37	191.37	-1.60	-0.83	+9.79
Utilities	144.02	144.02	+0.95	+0.66	-13.69

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 200 internationally investable stocks from 22 countries. Compiled by Bloomberg News.

## International Futures & Forex Traders

For All Complimentary Services, Fax or Email Today

Research Reports, Call Toll-Free, Fax or Email Today

Fax: 001-800-441-0102

E-mail: info@ihftr.com

Internet: www.ihftr.com

International Toll-Free Telephone Numbers

Belgium 0800-1-5880	France 0800-40-2246	Greece 0800-1192191
Germany 0800-329-8860	Holland 0800-22-0057	Italy 800-46-7200
Japan 1800-841-0102	Italy 1678-7928	Japan 03-531-11-6889
Laos 0800-4552	Singapore 800-120251	Spain 900-83-1007
South Korea 0800-89-7228	USA 800-84-4757	UK 0800-08-0052

## AMEX

Friday's 4 P.M. Close  
The 200 most traded stocks of the day, up or down in the closing on Wall Street.  
The Associated Press.

Stock	High	Low	Open	Close
IBM	124 1/4	124 1/4	124 1/4	124 1/4
Microsoft	56 1/4	56 1/4	56 1/4	56 1/4
Oracle	47 1/4	47 1/4	47 1/4	47 1/4
Amazon.com	10 1/4	10 1/4	10 1/4	10 1/4
Yahoo	10 1/4	10 1/4	10 1/4	10 1/4
Google	10 1/4	10 1/4	10 1/4	10 1/4
Netflix	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot	10 1/4	10 1/4	10 1/4	10 1/4
Walmart	10 1/4	10 1/4	10 1/4	10 1/4
Target	10 1/4	10 1/4	10 1/4	10 1/4
Kroger	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens	10 1/4	10 1/4	10 1/4	10 1/4
CVS	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores	10 1/4	10 1/4	10 1/4	10 1/4
Costco	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Target Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Kroger Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walgreens Inc.	10 1/4	10 1/4	10 1/4	10 1/4
CVS Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Wal-Mart Stores Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Costco Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Home Depot Inc.	10 1/4	10 1/4	10 1/4	10 1/4
Walmart Inc.	10 1/4	10 1/4	10 1/4	10



## EUROPE

Carrefour SA  
To Purchase  
Comptoirs

Compiled by Our Staff From Dispatches  
PARIS — Carrefour SA, the biggest retailer in France, agreed Friday to buy Comptoirs Modemes in a cash-and-stock deal that values its domestic rival at 21 billion French francs (\$3.49 billion).

Carrefour, which already owns 23 percent of Comptoirs Modemes, said the takeover would cost it a maximum of 14 billion francs plus assumed debt of about 1 billion francs. Comptoirs stockholders can exchange seven shares for six Carrefour shares or take a cash payment of 3,700 francs per share, a 12.6 percent premium to the latest price.

Trading in both companies' shares was suspended ahead of the announcement. Comptoirs shares closed Thursday at 3,285 francs, while Carrefour shares finished at 3,199 francs.

Analysts said Carrefour would benefit from a projected acceleration in consumer spending in France after at least two years of stagnation.

The news eclipsed Carrefour's first-half earnings report, which it released earlier to coincide with the takeover announcement.

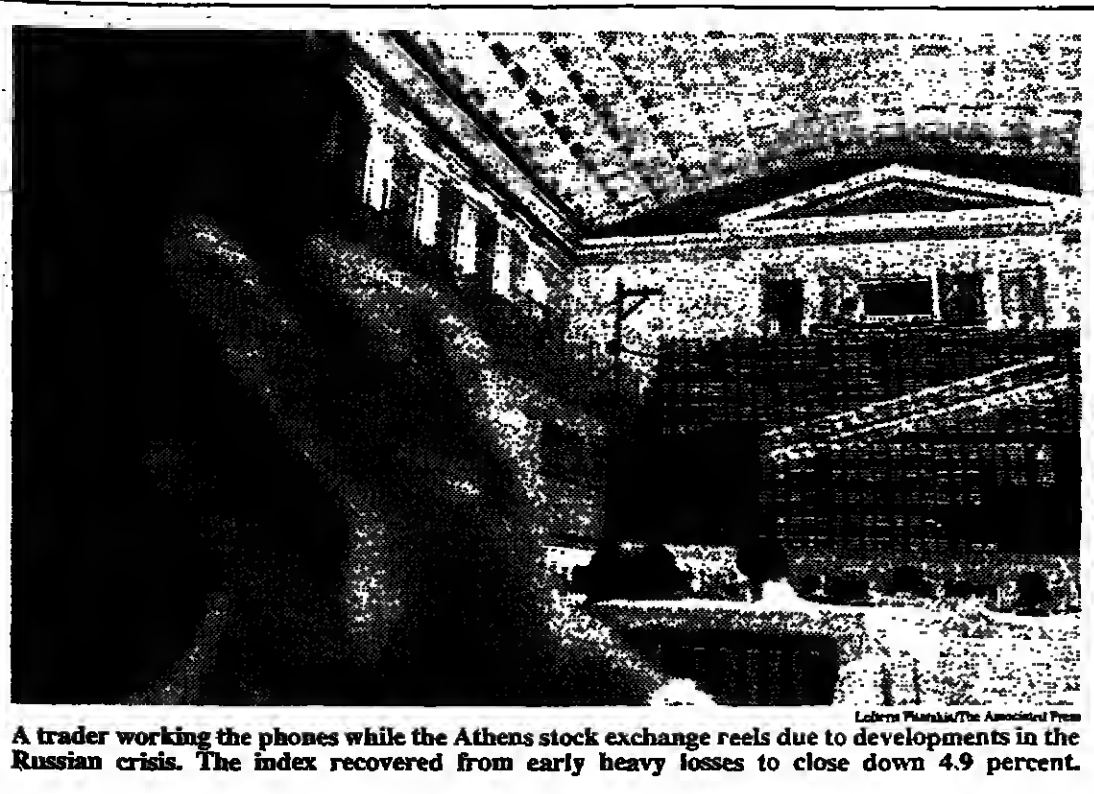
First-half profit totaled 1.79 billion francs, up 27 percent from a year ago, Carrefour said. The results include a one-time gain of 307 million francs from the sale of shares it held in Office Depot Inc. of the United States.

With the outlook for profit to slow for the full year, the Comptoirs takeover is "an excellent timing," said Anita Gulati, European retail analyst at Paribas Capital Markets in London.

The chairman of Comptoirs, Jean-Claude Plassat, said the company was "on the brink of an important purchase in Brazil," but he declined to confirm reports in the Brazilian media that Comptoirs Modemes, supported by Carrefour, was negotiating to buy 23 of 87 stores owned by Lojas Americanas, one of the major retailers in Brazil.

Responding to concerns about Latin American markets, the chairman of Carrefour, Daniel Bernard, said at a press conference, "The next decade should be better than the last."

(Bloomberg, Reuters)



A trader working the phones while the Athens stock exchange reels due to developments in the Russian crisis. The index recovered from early heavy losses to close down 4.9 percent.

## Randstad to Purchase Strategix Solutions

Compiled by Our Staff From Dispatches  
AMSTERDAM — Randstad Holding NV, a Dutch temporary employment agency, said Friday it would issue new shares to buy an American staffing agency, Strategix Solutions Inc., from AccuStaff Inc. for \$850 million.

Although Randstad reported on Friday a stronger-than-expected 30 percent increase in first-half net profit, its shares tumbled 13 guilders, or 8.6 percent, to 137.9 guilders as investors and analysts questioned

the U.S. acquisition.

Lifted by continued healthy growth in the European temporary staff market, Randstad reported first-half 1997 net profit of 110.7 million guilders (\$34.3 million) as sales rose 30 percent to 4.09 billion.

AccuStaff was to have sold Strategix to the public in a share offering, but Randstad's offer represented a quicker way for the company to exit the business, said the chairman and chief executive, Derek Dewan.

"It was a difficult decision to withdraw the IPO but the strategic rationale and fit were too compelling," Mr. Dewan said.

Strategix has 360 offices in 36 states and had 1997 revenue of almost \$1 billion, Randstad said.

Despite the strong results and gains in market share, Dewan said, the company was not active in the acquisition of Strategix, the U.S. temporary staffing company.

"Randstad seems to have paid quite a lot if we compare the price with the valuation of sector peers in the United States," said Abi Barnevald, analyst at Generale Bank's Oyens & van Eeghen.

The share issue to finance the acquisition, which will increase the number of Randstad shares outstanding by about 10 percent, also clouded sentiment toward the company.

With the purchase due to be sealed at the end of September, the issue is expected to take place before Jan. 1, 1999. But Randstad could delay the issue if the stock market performed very badly.

(Reuters, Bloomberg)

## Britain's Energis Buys Planet Online

LONDON — Energis PLC, the telecommunications arm of the utility National Grid Group PLC, bought Planet Online Ltd., the largest independent British Internet service provider, on Friday for £75 million (\$124.1 million) in cash to boost its position as a top carrier of Internet traffic.

Energis, which carries 40 percent of Internet access traffic in Britain,

said the price could include an additional £10 million in deferred payments if the Internet business meets sales targets by March 2000.

The purchase, which will help Energis expand its corporate business, is part of a trend among British telecommunications companies to buy businesses providing a gateway to the Internet and thus get an edge on a market expected to grow four-fold in the Britain in the next three years.

French Data  
Point to Fall  
In Growth

Bloomberg News  
PARIS — French unemployment was unchanged in July and factory output fell in June, data showed Friday, adding to indications French growth may have peaked.

French manufacturing fell 0.4 percent in June, while the unemployment rate stayed at 11.8 percent in July. With French exports stalling because of weaker economies in Asia, the government and economists are counting on consumer spending and company investment to power the economy. While gross domestic product is still expected to grow 3 percent this year, following 2.3 percent growth in 1997, the French economy may have reached its fastest growth rate earlier this year.

"We reached the high point in the first half and now we are de-accelerating," said Marie-Pierre Ripert, economist at CDC Marches.

Manufacturing output was growing at an annual rate of about 9 percent at the start of the year and has since slowed. Both exports and imports were unchanged in the second quarter from the first, with exports to Asia falling.

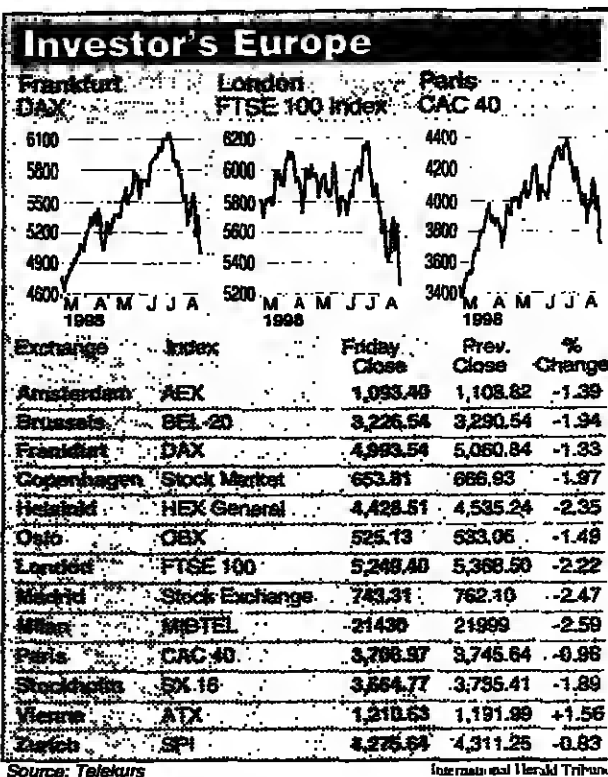
In addition, business surveys show that while order books remain full, they are not growing anymore because of a drop in overseas orders.

Slowing exports to countries outside the European Union are expected to hold back growth among France's neighbors as well.

France's economic reports Friday "are very much in line with the picture on manufacturing output that has been slowly emerging in the past quarter, not only in France but in Euroland," said Eric Chaney, economist at Morgan Stanley. "A slowdown is quite usual at this stage of the business cycle, after more than a year and a half of outstanding dynamism initiated by accelerating foreign demand."

But not all economists see the data Friday as signs that growth is slowing. "It's too early to tell, and so far there are few signs of de-acceleration," said Marie Chauviere, an economist at REXcode.

Surveys show that consumer and business confidence remain at their highest levels in three years. And housing-start data show that construction should rise in 1998.



## Very briefly:

• Deutsche Bank AG confirmed that its overall debt exposure to Russia not covered by state guarantees totaled 1.35 billion Deutsche marks (\$747.2 million) and said its trading-risk position in short-term Russian government paper totaled \$290 million.

• The IFO Institute for Economic Research economist Gernot Nerb said sharp declines on global stock markets could prompt the U.S. Federal Reserve Board to cut interest rates, giving the authorities in major European economies room to consider rate cuts.

• Somerfield PLC, the fifth-largest British food retailer, said it had broken off merger talks with Booker PLC, the country's No. 1 food wholesaler, citing unspecified "commercial reasons."

• Mannesmann AG said it would pay Olivetti SpA 1.3 trillion lire (\$728.9 million) for an additional 24.9 percent stake in Olimpia di Italy, which controls Omnitel Pronto Italia SpA, Europe's fourth-largest mobile phone company, raising its stake in Olimpia to 49.9 percent.

• Axel Springer Verlag AG, Europe's largest newspaper publisher, said it had acquired a 95 percent stake in the German publisher Econ & List Verlagsgesellschaft from Rheinisch-Westfälische Verlagsgesellschaft for an undisclosed sum in order to strengthen its book-publishing business.

• Turkey's government will remove a recently implemented tax on interbank transactions and reduce other banking taxes to help the country's financial institutions cope with a global economic crisis. The 6 percent interbank withholding tax will be annulled on Sept. 1.

• PSI AG set its share price at 46.50 DM for its initial public offering on Monday, in which the German maker of business software hopes to raise 100.8 million DM for efforts to expand sales of its Pipenta software system.

(Reuters, Bloomberg)

## WORLD STOCKS

Friday, Aug. 28  
Daily prices in local currencies.

High Low Close Prev.

Amsterdam

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

ABN-AMRO 42.50 42.50 42.50 42.50

Frankfurt

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

Frankfurt 42.50 42.50 42.50 42.50

London

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50

London 42.50 42.50 42.50 42.50



**Friday's 4 P.M. Close**

The 2,600 most traded stocks of the day.  
Nationwide prices not reflecting late trades elsewhere.  
The Associated Press.

12 Month			51s						
High	Low	Stock	Div	Yld	PE	100s High	Low	Latest	Change

[illegible]

12 Month	Stock	Div	Yld	PE	100 High	Low	Last	Chg
24	Alcoa	2.00	2.82	10.0	100	95	97	+2
25	Alcoa	2.00	2.82	10.0	100	95	97	+2
26	Alcoa	2.00	2.82	10.0	100	95	97	+2
27	Alcoa	2.00	2.82	10.0	100	95	97	+2
28	Alcoa	2.00	2.82	10.0	100	95	97	+2
29	Alcoa	2.00	2.82	10.0	100	95	97	+2
30	Alcoa	2.00	2.82	10.0	100	95	97	+2
31	Alcoa	2.00	2.82	10.0	100	95	97	+2
32	Alcoa	2.00	2.82	10.0	100	95	97	+2
33	Alcoa	2.00	2.82	10.0	100	95	97	+2
34	Alcoa	2.00	2.82	10.0	100	95	97	+2
35	Alcoa	2.00	2.82	10.0	100	95	97	+2
36	Alcoa	2.00	2.82	10.0	100	95	97	+2
37	Alcoa	2.00	2.82	10.0	100	95	97	+2
38	Alcoa	2.00	2.82	10.0	100	95	97	+2
39	Alcoa	2.00	2.82	10.0	100	95	97	+2
40	Alcoa	2.00	2.82	10.0	100	95	97	+2
41	Alcoa	2.00	2.82	10.0	100	95	97	+2
42	Alcoa	2.00	2.82	10.0	100	95	97	+2
43	Alcoa	2.00	2.82	10.0	100	95	97	+2
44	Alcoa	2.00	2.82	10.0	100	95	97	+2
45	Alcoa	2.00	2.82	10.0	100	95	97	+2
46	Alcoa	2.00	2.82	10.0	100	95	97	+2
47	Alcoa	2.00	2.82	10.0	100	95	97	+2
48	Alcoa	2.00	2.82	10.0	100	95	97	+2
49	Alcoa	2.00	2.82	10.0	100	95	97	+2
50	Alcoa	2.00	2.82	10.0	100	95	97	+2
51	Alcoa	2.00	2.82	10.0	100	95	97	+2
52	Alcoa	2.00	2.82	10.0	100	95	97	+2
53	Alcoa	2.00	2.82	10.0	100	95	97	+2
54	Alcoa	2.00	2.82	10.0	100	95	97	+2
55	Alcoa	2.00	2.82	10.0	100	95	97	+2
56	Alcoa	2.00	2.82	10.0	100	95	97	+2
57	Alcoa	2.00	2.82	10.0	100	95	97	+2
58	Alcoa	2.00	2.82	10.0	100	95	97	+2
59	Alcoa	2.00	2.82	10.0	100	95	97	+2
60	Alcoa	2.00	2.82	10.0	100	95	97	+2
61	Alcoa	2.00	2.82	10.0	100	95	97	+2
62	Alcoa	2.00	2.82	10.0	100	95	97	+2
63	Alcoa	2.00	2.82	10.0	100	95	97	+2
64	Alcoa	2.00	2.82	10.0	100	95	97	+2
65	Alcoa	2.00	2.82	10.0	100	95	97	+2
66	Alcoa	2.00	2.82	10.0	100	95	97	+2
67	Alcoa	2.00	2.82	10.0	100	95	97	+2
68	Alcoa	2.00	2.82	10.0	100	95	97	+2
69	Alcoa	2.00	2.82	10.0	100	95	97	+2
70	Alcoa	2.00	2.82	10.0	100	95	97	+2
71	Alcoa	2.00	2.82	10.0	100	95	97	+2
72	Alcoa	2.00	2.82	10.0	100	95	97	+2
73	Alcoa	2.00	2.82	10.0	100	95	97	+2
74	Alcoa	2.00	2.82	10.0	100	95	97	+2
75	Alcoa	2.00	2.82	10.0	100	95	97	+2
76	Alcoa	2.00	2.82	10.0	100	95	97	+2
77	Alcoa	2.00	2.82	10.0	100	95	97	+2
78	Alcoa	2.00	2.82	10.0	100	95	97	+2
79	Alcoa	2.00	2.82	10.0	100	95	97	+2
80	Alcoa	2.00	2.82	10.0	100	95	97	+2
81	Alcoa	2.00	2.82	10.0	100	95	97	+2
82	Alcoa	2.00	2.82	10.0	100	95	97	+2
83	Alcoa	2.00	2.82	10.0	100	95	97	+2
84	Alcoa	2.00	2.82	10.0	100	95	97	+2
85	Alcoa	2.00	2.82	10.0	100	95	97	+2
86	Alcoa	2.00	2.82	10.0	100	95	97	+2
87	Alcoa	2.00	2.82	10.0	100	95	97	+2
88	Alcoa	2.00	2.82	10.0	100	95	97	+2
89	Alcoa	2.00	2.82	10.0	100	95	97	+2
90	Alcoa	2.00	2.82	10.0	100	95	97	+2
91	Alcoa	2.00	2.82	10.0	100	95	97	+2
92	Alcoa	2.00	2.82	10.0	100	95	97	+2
93	Alcoa	2.00	2.82	10.0	100	95	97	+2
94	Alcoa	2.00	2.82	10.0	100	95	97	+2
95	Alcoa	2.00	2.82	10.0	100	95	97	+2
96	Alcoa	2.00	2.82	10.0	100	95	97	+2
97	Alcoa	2.00	2.82	10.0	100	95	97	+2
98	Alcoa	2.00	2.82	10.0	100	95	97	+2
99	Alcoa	2.00	2.82	10.0	100	95	97	+2
100	Alcoa	2.00	2.82	10.0	100	95	97	+2

[illegible][illegible][illegible][illegible]

**Markets / The**

**ump in Con**

**A Russia Str**



## ASIA/PACIFIC

## Toyota to Take Control of Minicar Maker

Compiled by Our Staff From Dispatches

TOKYO — Toyota Motor Corp. said Friday it was taking control of its affiliate Daihatsu Motor Co. in a 37.1 billion yen (\$261.6 million) deal.

Toyota said it would raise its stake in the maker of so-called minicars to 51.2 percent from 34.5 percent.

Daihatsu, which makes commercial vehicles as well as minicars, has suffered from a slump in the domestic market. Japanese sales of minicars fell for 10 straight months through July as wage and

job cuts crimped spending.

"Numerous challenges currently facing the global auto industry including fierce global competition and the push to create environmentally friendly products spurred the decision to strengthen ties between the two companies," Toyota said.

The two firms have worked together for the past 30 years. "We decided to strengthen our ties because our economic environment is getting severe given the economic crisis in Asia," said Fujio Cho, a vice president at Toyota.

"Daihatsu has strength particularly in Southeast Asia," he added. "We are thinking we can launch a lot of strategies."

Toyota has good technology for making environmentally friendly cars and with this share purchase we can receive Toyota's technology and that will help us in the future," said Yoshihiro Noboru, a vice-president at Daihatsu.

Daihatsu has a factory in China, a market Toyota has long tried to move into, so far without success. "With this share buy-up, our re-

lationship with China is not going to change," said Takashi Kamio, a Toyota director. "But it is definitely of merit for Toyota."

Peter Boardman, an analyst at Warburg Dillon Read in Tokyo, said Toyota was "worried that Daihatsu won't make it."

"I don't think there's any financial value" in the Daihatsu acquisition, Mr. Boardman said. "It saves Daihatsu shareholders but it's not good for Toyota."

Daihatsu's net profit for the year ended March fell 57 percent, to 8.45 billion yen, on sales that slipped 2.5 percent, to 886,992 billion yen.

Toyota's shares fell 80 yen, to 2,950. Daihatsu's shares were suspended on the Tokyo Stock Exchange.

Separately, Toyota denied a report that it would increase its 20.1 percent stake in Hino Motors Ltd., Japan's biggest truckmaker, to a majority. Toyota is not considering such a move, Mr. Cho said. (AFP, Bloomberg)

## Philippines' GDP Shrinks In 2d Quarter

Compiled by Our Staff From Dispatches

MANILA — The Philippine economy shrank for the first time since 1992 in the second quarter of this year.

The government said gross domestic product contracted at an annualized rate of 1.2 percent in April, May and June. The contraction was worse than economists had expected. By comparison, GDP grew at an annualized rate of 5.6 percent a year earlier.

Few analysts think that the worst is behind the Philippine economy. The causes of the contraction — an unstable currency and crop-damaging weather — are still in play.

"We're near the graveyard of a protracted recession," said Representative Joey Salceda, the vice chairman of the House Committee on Economic Affairs. He said he expected GDP to contract at an annualized rate of 3.1 percent in the third quarter.

That kind of pessimism, in a country that some thought would be the first to emerge from the Asian economic troubles, drove the Philippine Stock Exchange index down by 72.28 points on Friday, to 1,194.71.

The Philippines is "visibly less distressed than quite a number of other Southeast Asian countries," said Jojo Gonzales, the head of research at Merrill Lynch & Co.'s office here. "But the Philippines will not be isolated, which is why we're seeing as much of a slowdown as we're seeing now."

As many as 12 million people may be without jobs by 2001, nearly three times the current number, if the regional economic troubles persist, according to an employers' group cited in the press on Friday.

The unemployment rate rose to a seven-year high of 13.3 percent in April, when 4.3 million people were officially listed as jobless.

"We don't know how long this crisis will continue," Miguel Vela, the president of the Employers' Confederation of the Philippines, said. "If we don't take the initiative, this number could double or even triple." (Bloomberg, AFP)

## Japan to Guarantee 40 Trillion Yen in Business Loans

Agence France-Press

TOKYO — Japan is setting up 40 trillion yen (\$262.1 billion) of loan guarantees and credit to help small companies that are suffering from a tightening credit crunch.

Credit-guarantee associations of local governments will establish special credit lines totaling 20 trillion yen to

back loans by financial institutions, Hiroshi Nonaka, chief cabinet secretary, said Friday.

Another 20 trillion yen credit line will be set up to expand loans by state-run institutions such as the Small Business Credit Insurance Corp., he said. The measures are to take effect Oct. 1.

Separately, the government said the unemployment rate remained above 4 percent for the fourth straight month in July. The seasonally adjusted rate was 4.1 percent in July, down from 4.3 percent in June, as many people gave up job-hunting. The number of people working fell 720,000 from a year earlier.

Even if Mr. Obuchi does not dramatically liberalize the economy, the stimulus itself and some associated tax cuts will lend a healthy boost.

The last time there was such a stimulus package, three years ago, the economy quickly surged past growth rates in the United States and registered 3.6 percent growth, which was the fastest among the Group of Seven industrialized nations.

Moreover, much of Japan's economic problem arises from a nearly universal gloom that makes everyone reluctant to buy or invest.

That psychology is impossible to predict, but some optimists believe that the fiscal stimulus could change the public mood and restore the economy to life.

That, in turn, would revive the property and stock markets, and many bad loans would become good again.

On more bank disclosure, but there are also criticisms that Mr. Kan is playing politics with Japan's economic recovery.

"The opposition sees a chance to force the government down, even if it happens to be the economy down," said Richard Jerram, an economist at ING Barings Securities Japan Ltd. "Politicians are oblivious to things in the real world, it's pretty clear."

"If we were not a parliamentary democracy, of course, we would be able to make progress on many issues," said Akira Saiki, a spokesman for Mr. Obuchi, "but that's not the case."

Asked if he thought the West was too impatient for results, considering that Mr. Obuchi has been in office for only a month, Mr. Saiki scarcely paused.

"Not just the West," he said. "Everyone is a bit impatient."

Whatever happens in Parliament, the situation is not entirely bleak. Above all, before Mr. Obuchi

## JAPAN: Size of Its Economic Problems Dwarfs Russia's

Continued from Page 1

must avoid a general election this year," he said.

Opposition parties, however, are circling eagerly and insisting that this is just the time for general elections to break the deadlock, instead of waiting for two more years until elections are due.

Paradoxically, Mr. Obuchi's government is weak in part because of constant complaining by critics at home and abroad, especially in the U.S. Treasury Department, who want Japan to act far more decisively. The criticism has weakened the government, making it less able than ever to push through economic measures.

The opposition usually does not matter much in the Japanese Parliament, but the main opposition leader, Naoto Kan, has crafted a broad and relatively unified front that has blocked the government's proposals and offered its own.

Some economists think Mr. Kan's financial plan is better than the government's, because it insists

## Shell and Mobil In Joint Venture

Bloomberg News

MELBOURNE — Shell Australia Ltd. and Mobil Oil Australia Ltd. said Friday they had agreed to combine their refining operations in a new company, the latest move by oil companies to team up in an effort to cut costs.

The joint venture will control four refineries, about half of Australia's refining capacity, with a processing capacity of about 400,000 barrels a day and a book value of 2 billion Australian dollars (\$1.1 billion). It will be owned equally by Shell and Mobil.

The combination will give the overall operation annual savings of about 80 million dollars.

The new company has no plans to close any of its refineries, although it will cut between 100 and 150 jobs from its workforce of 1,500.

## Global Markets / The Challenge of Russia

## Slump in Commodity Prices Worsens the Pain

Compiled by Our Staff From Dispatches

As prices of commodities ranging from oil to gold to cotton plunge, economies already struggling are likely to be shoved further into chaos, analysts say.

A key global index of commodity prices is at a 20-year low, and each tick down puts more economic pressure on the nations where commodities are produced.

While many of the major producers are the emerging-market countries experiencing deep financial crisis, like Russia, which is a leading exporter of oil and precious metals, falling prices have gone beyond emerging economies.

Canada and Australia, which rely heavily on commodity exports, have seen their currencies drop to record lows this week.

"It's a flu, it's catching, it's dominating," said William Byers, director of futures research at Bear Stearns & Co. "Not only is the psychology spreading, but the economic weakness is spreading."

The Commodity Research Bureau/Bridge index of 17 key commodity prices fell to 195.30 points late Friday,

the lowest level since 1977.

Two forces have been pushing commodity prices lower and will continue to do so, several analysts say. One is the falling demand from Asia. The other is that countries in deep trouble, like Russia, are expected to sell what they can to raise money, adding to the supply in a market already weak.

**"When should people buy gold as a haven if they don't buy it now? It looks like people really don't consider gold as a safe haven anymore."**

William O'Neill, director of futures research at Merrill Lynch & Co., said there had been big sales of platinum and palladium by Russia in Japan and sales of gold and silver in Zurich and London. The crisis, he said, "inspires them to sell as much as possible."

Oil prices are already struggling with a global oversupply, which has shoved prices to the lowest levels in a decade. Russia is the world's third-largest oil producer.

Russia also is normally the world's largest importer of tea and sugar, but now it is in no position to buy. The price of sugar, of which Thailand is the major Asian exporter, has dropped 10 percent in the past two days on concerns that Russia will be unable to finance purchases.

Bankers and brokers in Sri Lanka, which sells more than 20 percent of its tea crop to the former Soviet republics, including Russia, are holding emergency meetings over concerns that Russian buyers may default on payments.

The price of gold, which had been thought of for years as a refuge in the time of political and economic crises, fell to a 19-year low in London on Friday, closing at \$273.40 an ounce. Investors have instead turned to government bonds, particularly U.S. Treasuries.

"When should people buy gold as a haven if they don't buy it now?" said Frederic Panizanti, head of research at MKS SA in Geneva. "It looks like

people really don't consider gold as a safe haven anymore."

The price of gold has battered Canadian stock markets, with the benchmark Toronto Stock Exchange index falling nearly 9 percent this week.

"We have uncertainty in copious amounts with the Russian situation and the Japanese crisis," said Gordon Higgins, a portfolio manager at Elliot & Page Ltd. "If there's a global recession, demand for commodities will drop."

Stocks in South Africa, the world's largest gold producer, finished at a four-year low Friday.

Grain prices also are dropping as good growing weather in the U.S. Midwest helped crops mature as much as two weeks faster than they did a year ago, setting the stage for an early harvest.

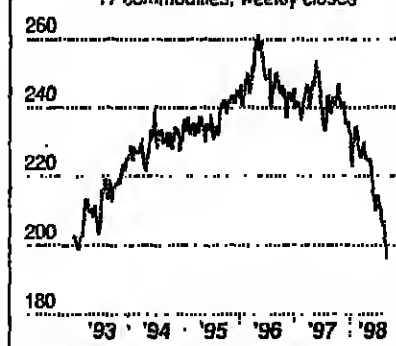
Corn prices fell to a 10-year low Friday on speculation that a bumper U.S. harvest will overwhelm supplies amid poor demand from Russia, Japan and elsewhere.

"There's an avalanche of grain getting ready to hit the market," said Tim Hannagan, an analyst with Alaron Trading Corp.

## From Bad to Worse

Weak economies have caused commodity prices to collapse, which is weighing on stock prices.

COMMODITY RESEARCH BUREAU/BIDGE INDEX  
17 commodities; weekly closes



Source: Bloomberg Financial Markets

Analysts say commodity prices, and the pain that they are bringing to already troubled economies, have a way to go before they hit bottom. "I don't think we are there yet," said Richard Berner, chief economist of Mellon Bank in Pittsburgh. (NYT, Bloomberg, Reuters)

## IMF May Wait A Month to Help Russia

By Louis Uchitelle

New York Times Service

WASHINGTON — Rather than give Russia a quick infusion of money in an emergency attempt to ease its economic crisis, the International Monetary Fund has apparently decided to take up to a month to consider whether to lend Russia more money.

In August, the IMF lent Russia \$4.8 billion and agreed to consider an additional payout of \$4.3 billion in late September. What the IMF appears to be trying to do is to resurrect, even as the ruble slides precipitously, are two priority clauses in the agreement, which was never approved by Parliament.

The IMF continues to insist that the Russian government achieve a balanced budget in two or three years, improving tax collections to achieve this goal. The deficit now is an alarming 5 percent of the current budget.

The other clause specifies a reliable system for converting rubles into dollars and other hard currencies in an unrestricted or nearly unrestricted foreign-exchange market. Conversion of rubles to dollars was suspended Thursday.

The IMF, in return, would agree to let Russia repay foreign lenders less than 100 cents on the dollar, a concession the IMF has already allowed in some Asian countries. A year ago, before the Asian crisis began to spread economic stagnation and market panic across much of the globe, such concessions in debt repayment were not on the table.

Foreign lenders, including several U.S. banks, hold more than \$10 billion in short-term Russian Treasury securities denominated in rubles.

Acting unilaterally, the Russians on Tuesday stretched out payment of these securities for three years or more, in effect assuring that their dollar value will be eroded by devaluations of the ruble.

IMF officials have not publicly attacked the move. And some lenders in the private sector seem ready to go along with moderate debt write-downs, as long as future payment of the lesser amount is guaranteed.

Concerned that the crisis might spread to Latin America, the IMF has invited top Latin policy makers to Washington for discussions next week.

The next IMF loan to Russia, for \$4.3 billion, is scheduled for disbursement in late September. That gives the Russians time to "get their economy back on track," as some officials put it, without halting the flow of IMF money. Since the Soviet Union dissolved in late 1991, Russia has received more than \$21 billion in loans from the IMF, mostly to support the ruble, and the Russians have repaid these loans on schedule, sending more than \$5 billion back to the IMF through June.

The IMF has authorized an additional \$10 billion to Russia, including the \$4.3 billion scheduled for September, if Viktor Chernomyrdin, the new prime minister, and the IMF can reach agreement.

## BANKS: Russia Struggles to Rein Them In

Continued from Page 9

takeover plan and demanded that the Kremlin pay "hundreds of millions of dollars" in obligations, presumably in bonds.

Mr. Chernomyrdin may be somewhere in the middle. A draft economic program approved by his supporters in the Duma (or lower house of Parliament) on Thursday called for increased protection of banks and depositors, but offered no specifics.

So far, the government has shut only one of the top 15 banks, Imperial Bank, which had defaulted earlier on a \$50 million foreign loan and was closed Wednesday.

In terms of global finance, this battle seems at first to be almost insignificant.

The combined assets of all Russian banks as figured by the Central Bank last January totaled a mere \$100 billion — less than the ninth-largest bank in America.

One motive behind the string of mergers, some analysts say, is for weak banks to ally themselves with the few banks that serve households and small businesses, reasoning that the government will nurse those banks first. But assets and deposits are not what count most in the current crisis.

The banks matter in part because they fed the government's appetite for easy credit over the last five years, when deficits were mounting.

Some of Russia's biggest banks established industrial empires — and close ties to politicians — by lending the government money, then accepting shares of state-owned companies in lieu of payment on the loans. This in turn provided capital for other, riskier ventures such as currency speculation.

Between the beginning of 1995 and

the middle of 1996, the volume of short-term government debt ballooned from 1.5 percent of the nation's gross domestic product to close to 8 percent. And of that, as much as 5 percent was interest payments to bondholders — primarily banks.

When Russia declared a temporary halt to paying off its bond debt on Aug. 17, Russian banks held 105 billion rubles in short-term bonds — then about \$17 billion — at interest rates as high as 150 percent.

Many large banks are the string that ties together the business conglomerates of the oligarchs and other financiers. It is also commonly believed that big banks move money in and out of Russia for tax and investment purposes.

A huge amount of money has fled Russia — according to Credit Suisse First Boston, at least \$66 billion from 1994 to 1997 alone. Cyprus, the best-known offshore tax haven, is home to at least 2,000 subsidiaries of Russian companies, according to Steven Shevoley, a vice president at Thomson Bankwatch in Cyprus.

Had that money remained in the country, it would have spurred domestic investment and reduced the government's need for deficit spending, one root of its current woes.

Meanwhile, wrongheaded investments, speculation and lending have cost banks at least 190 billion rubles this year alone, according to the investment firm Brunswick Warburg.

That is roughly \$22.5 billion at this week's rate of 8.5 rubles per dollar, and far more at the rate that prevailed earlier this year of about 6 rubles per dollar.

The banks have inadvertently worsened the government's problems since the full-blown fiscal crisis

## Regent Pacific Halts Russia Fund Trades

Bloomberg News

HONG KONG — Regent Pacific Group Ltd., a Hong Kong-based manager of specialized investment funds, said Friday it had suspended dealing in 12 Russian, Eastern Europe and Central Asia funds in the wake of the financial crisis in Russia.

The suspension was caused by difficulty valuing the shares following Russia's decision to first devalue and then halt trading in the ruble this week, as well as uncertainty about the details of how Russia will restructure its government debt securities.

Investors in suspended funds cannot redeem their money, nor can new investors enter the funds. Dealing is to resume as soon as the status of the ruble and Russian debt are clarified, Regent said.

Hong Kong would not be the first Asian market to place restrictions on certain kinds of trading. Japan, South Korea and Malaysia all do it, just as they intervene in their markets. But Hong Kong has long taken pride in its reputation as the New York of Asia — a market where American openness meets Chinese entrepreneurship.

As it happens, some analysts believe the government has been forced to act by Hong Kong's most prominent entrepreneurs — the property tycoons — who have seen their share holdings decline in value by 50 percent since last year. Two months ago, the government announced it would suspend sales of land in an effort to halt the downward spiral of property prices.

"The irony is that the government is

## HONG KONG: Government Buys Stocks

Continued from Page 1

are very willing to support us if there is a need to do so," he said.

Several analysts argued that the stock market would plummet as soon as the government stopped supporting it. And some said that Hong Kong was squandering both its reserves and its reputation as the freest financial market in Asia.

"In the short run, if you pour billions of dollars into stocks, you can pump up the market," said Steve Hanke, a professor of applied economics at Johns Hopkins University. "But in the long run, this is doomed to fail because it convinces speculators that Hong Kong can't take the pain."

Hong Kong may not stop at simple intervention. Sir Donald announced that the government was considering measures to curb "manipulative practices." These could include restrictions on the short selling of stocks and increased disclosure requirements in the trading of index futures.

Hong Kong would not be the first Asian market to place restrictions on certain kinds of trading. Japan, South Korea and Malaysia all do it, just as they intervene in their markets. But Hong Kong has long taken pride in its reputation as the New York of Asia — a market where American openness meets Chinese entrepreneurship.

As it happens, some analysts believe the government has been forced to act by Hong Kong's most prominent entrepreneurs — the property tycoons — who have seen their share holdings decline in value by 50 percent since last year. Two months ago, the government announced it would suspend sales of land in an effort to halt the downward spiral of property prices.

"The irony is that the government is







## MONEY

E-mail address: moneyrep@iht.com

Website: www.iht.com/IHT/MONEY

## State Pension Plans

Monthly payments and pension terms in selected countries, latest data available, translated at current foreign-exchange rates.

**Australia** 655 Australian dollars: \$366  
Retirement age: 65 for men, 61 for women (rising to 65 in 2013). Type of system: Social insurance and social assistance. Contribution rate: None (funded from general revenue).

**Brazil** 130-956 reais: \$111-\$819  
Minimum (same as minimum wage).  
Retirement age: 65 for men (80 in rural areas), 60 for women (65 in rural areas). Proposed legislation would encourage early retirement. Type of system: Social insurance for employed people. Contribution rate: Employee: 8% to 10% of earnings. Employer: 20% of payroll.

**Britain** £287.08: \$478  
Average for single person.  
Retirement age: 65 men, 60 women, rising to 65 by 2020. Type of system: Pension and optional earnings-related supplemental plan. No early retirement. Contribution rate: Employees: 2% on first £82 per week, 8% on balance up to £465. Employer: 3%-10% of employee's earnings depending on level and whether employee has supplemental plan.

**Canada** 797 Canadian dollars: \$504  
Average.  
Retirement age: 65. Early retirement allowed starting at 60, with reduced benefits. Type of system: Universal pension for all residents plus earnings-related pension for workers. Contribution rate: None for universal pension (funded from general revenue). Earnings-related pension: Employee: 3.2% of earnings, up to Can\$38,900. Employer: 3.2% of payroll.

**Chile** 55,037 pesos: \$116  
Minimum after 20 years of contributions to new plan. Retirement age: 65 men, 60 women. Early retirement if pension is at least 50% of average wage over last 10 years and equal to at least 110% of minimum old-age pension. System: Mandatory private insurance since 1981; covers 90% of pop. Previous social insurance system covers the rest. Contribution rate: Employee only, 10% of earnings, up to max. of 60 monetary units. In Jan. 1997, 1 monetary unit=13,426 pesos.

**Egypt** E£55 to E£590: \$17-\$172  
Minimum-maximum (otherwise 80% of avg. earnings). Retirement age: 60. Type of system: Social insurance system. Contribution rate: Employee: 14% of basic pay up to E£337.50 (rising to E£500 in coming years) plus 11% of variable wage comprising basic pay in excess of E£337.50 plus other compensation, including bonuses and commissions. Employer: 28% of basic wage, 24% of variable wage.

**France** 5,936 francs: \$985  
Average.  
Retirement age: 60 or 65, depending on number of quarters worked. Type of system: Social insurance. Contribution rate: Employee: 6.55% of earnings plus 3.4% of 98 percent income. Employer: 8.2% of covered earnings plus 1.6% of total payroll.

**Germany** (tax-free) 1548-2,012 DM: \$862-\$1,120  
Post-tax range, depending on marital status.  
Retirement age: 65 for men (rising to 65 by 2009), 60 for women (rising to 65 by 2018). Type of system: Social insurance. Contribution rate: Employee: none if monthly earnings below 610 DM, otherwise 10.15 percent of earnings, up to 98,400 DM per year. Employer: 10.15 percent of payroll; 20.3 percent if employee earns below 610 DM.

**Germany** (tax-free) 1,867-2,677 DM: \$1,039-\$1,490  
Post-tax range, depending on marital status.  
Retirement age: 65 for men (rising to 65 by 2009), 60 for women (rising to 65 by 2018). Type of system: Social insurance. Contribution rate: Employee: none if monthly earnings below 610 DM, otherwise 10.15 percent of earnings, up to 98,400 DM per year. Employer: 10.15 percent of payroll; 20.3 percent if employee earns below 610 DM.

**Japan** 65,460 yen: \$462  
Basic rate for workers retiring at 65.  
Retirement age: 65. Early retirement at reduced rates possible starting at 60, pension is increased for retirement after 65. Type of system: Social insurance. Contribution rate: Employee: 8.675% of earnings from 92,000 to 590,000 yen (different for some wage classes). Employer: 8.675% of earnings from 92,000 to 590,000 yen (different for some wage classes).

**Netherlands** 1,070-1,542 guilders: \$528-\$761  
Married people (each) - single people.  
Retirement age: 65: early retirement possible at reduced rate, retirement not mandatory. Type of system: Social insurance. Contribution rate: Employee: 15.4% of earnings. Employer: pays earnings supplement to employee to compensate part of contribution.

**Poland** 274 zlotys: \$72.50  
Minimum (50% of average national salary).  
Retirement age: To be determined.  
Type of system: Parliament considering multiple-pillar program. Contribution rate: 45 percent of payroll (old system).

**Singapore** 297 Singapore dollars: \$167  
Minimum.  
Retirement age: Workers may retire at 55. Type of system: Provident fund. Contribution rate: Employee: 20% of earnings in excess of 200 Singapore dollars a month, lower rates for workers over 55. Employer: 20 percent of earnings in excess of 50 dollars a month, lower rates for workers over 55.

**Sweden** 2,339-14,447 kronor: \$280-\$1,734  
Retirement age: 65. Early retirement possible at 60 at reduced rates, deferred retirement at higher rates possible until 70. System: Social insurance/universal plus earnings-related; legislation creating a 2d pillar for individual investment passed in June. Contribution rate: Employee: none for universal pension, 1% of earnings for earnings-related pension. Employer: 5.88% of payroll for universal pension, 15% of payroll for earnings-related pension.

**United States** \$761  
Average.  
Retirement age: 65 (rising to 67 in 2027). Type of system: Social insurance for gainfully employed people, size of pension based on covered earnings. Means-tested allowance payable to those in need under separate Supplemental Security Income program. Contribution rate: Employee: 6.2% of earnings up to \$65,400. Employer: 6.2% of payroll.

## State Pensions: It's Not Your Father's Social Security

By Ann Brocklehurst

CONFRONTED with aging populations and national pension plans designed for younger societies, countries around the world are moving to reform their old-age security systems. Many nations are abandoning the idea that governments should be solely responsible for retirement, shifting onto their citizens some of the decisions on how their old-age funds are invested. The wisdom of those choices determines the level of monthly retirement benefits.

Not only is there added responsibility for today's workers, but they often have to wait longer to retire than did their parents and grandparents. Normal retirement ages are being raised to 65, with many countries doing away with preferences for women, and some systems encourage workers to remain at work until 70 or beyond.

The reforms undertaken so far vary widely according to the old-age security system already in place, but in most cases they involve a scaling down of the state pension system and a shift toward private investment. A report entitled "Maintaining Prosperity in an Aging Society," released earlier this year by the Organization for Economic Cooperation and Development, noted: "No two OECD countries have identical pension systems, nor do they face identical fiscal pressures. But in almost all of them, reforms have already had to be introduced to prevent expenditure on public pensions from running ahead of receipts, and in most of them, it is estimated that further significant reforms will need to be implemented in future."

While the number of older people is growing faster in non-OECD countries than in those developed nations, the percentage of older people in the former remains relatively small, especially in Africa and South Asia. In these areas, where pension systems range from nonexistent to minimal, it is mostly family members who continue to look after the elderly.

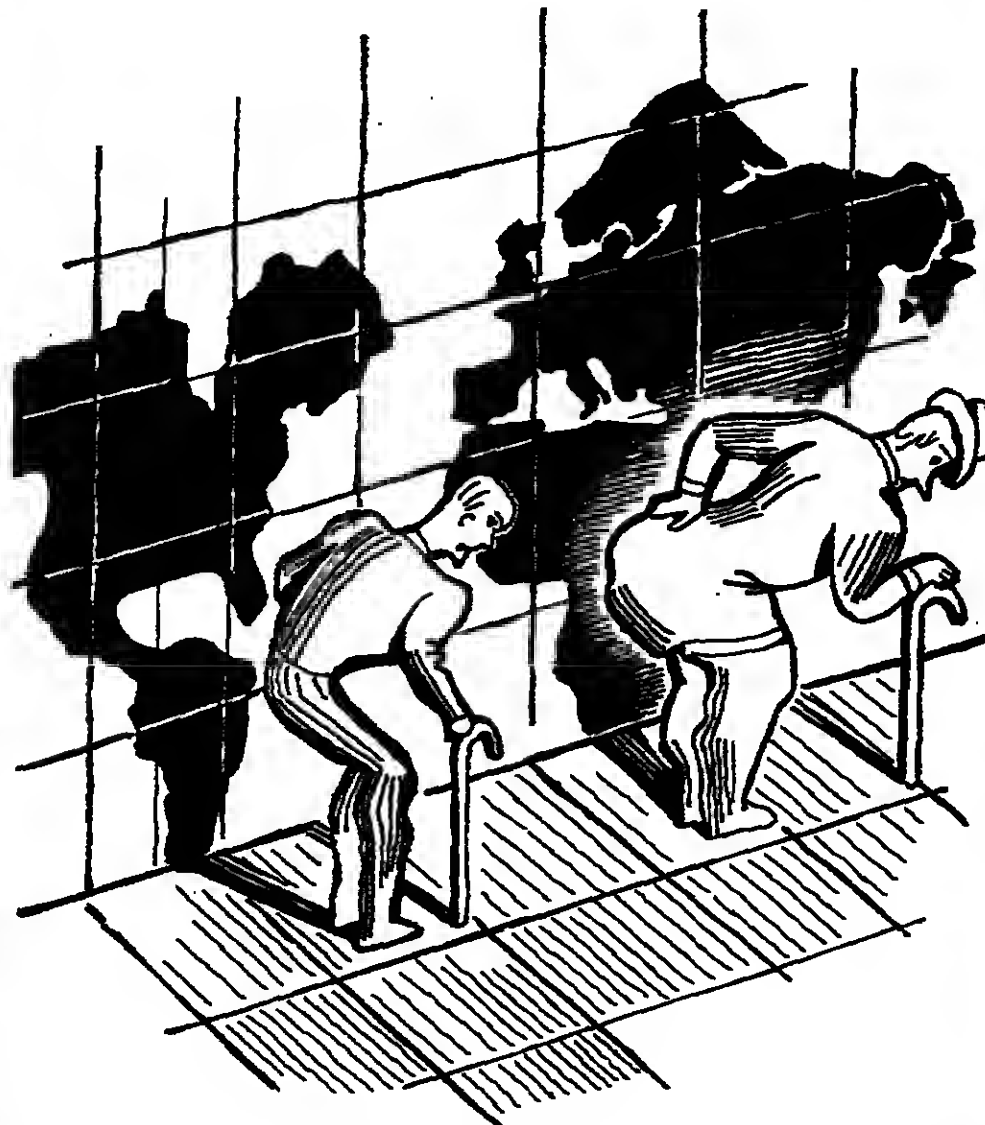
China, the country with the largest population, has a patchwork of systems, with local governments and employers variously responsible for the current plans. Monthly payments are different in different regions, and retirement ages are relatively young: some women can stop working and get their pensions at 50, though professionals and all men must wait until 60. The systems tend to tax workers lightly, from 3 percent to 5 percent of earnings plus up to 8 percent more for individual retirement accounts, while employers can pay more than a third of a worker's salary in pension-related taxes.

The need for pension reform is especially pressing in Continental Europe, which is aging rapidly and lagging far behind the United States and Britain in developing private pensions, according to David Hale, global chief economist at Zurich Kemper Investments Inc. in Chicago. Germany is a striking example. The state currently pays generous pensions worth 70 percent of the salaries retirees earned in their final years of work. But Mr. Hale wrote in a recent report that "accountants estimate that German companies have shortfalls in their pension reserves equal to 25 to 50 percent of their potential liabilities."

With more than one-third of Germany's population forecast to be over 60 in 2030 and only 1.26 children in the median family, the country's pay-as-you-go system, which uses contributions from current workers to pay pensions, clearly is not sustainable.

Not surprisingly, there is growing discussion in Germany about the justice of the current system. Retired Germans are seen as benefiting from fat pensions after earning good salaries in the Wirtschaftswunder decades of the post-World War II economic miracle. Younger Germans, on the other hand, face high unemployment and taxes as the country copes with structural economic problems and paying the costs of reunification.

Last year, the government introduced a pension reform plan that would trim contributions from the 1997 level of 20.3 percent (split between employer and employee) over the next two decades. But shortly afterward, it contradicted its long-term goals and moved to increase temporarily the rate to 21 percent to keep the



David Suter

pension system afloat. But subsequent opposition prevented the increase from being included in the pension-reform plan.

The German situation is a clear illustration of the difficulty of changing a pension system that citizens see as an entitlement despite its cost to younger workers. Changes are almost always introduced over a long time frame. The Germans will take until 2009 to raise the retirement age to 65 from 63 for men and until 2018 to boost it to 65 for women. In Australia, the retirement age for women will be raised by six months every two years until it reaches 65 in 2013. In Britain, women, who can now retire at 60, will see the age increased to 65 by 2020.

Before passing legislation reforming its old-age security system in June, Sweden studied the issue for more than a decade. The country's low economic growth rates over the past 20 years, combined with the increasing number of retirees receiving high pensions, meant the old system would have faced considerable problems when those born in the 1940s begin to retire around 2010.

Under the reformed system, those born in 1954 and later will receive pensions according to the new rules. These provide that 18.5 percent of an individual's lifetime income is to be paid into a defined-contribution system, with half coming from the employee and half from the employer. This is in contrast to the old system where the employer and government paid most of the costs for a defined-benefit system.

Of the 18.5 percentage points, 16 will form a pension entitlement registered on the individual's own national account. This will be used to finance pension payments in the same year (the pay-as-you-go plan). The other 2.5 percentage

points will be saved and will earn interest in a premium reserve account. The person insured will be able to invest in a variety of mutual funds or simply let the money be managed by the state-owned National Swedish Pension Fund. On retirement, the insured person will receive the capital and the accrued earnings.

The new Swedish system is what is known as a multiple-pillar system along the lines being recommended by the World Bank. Estelle James, lead economist in the bank's policy research department, said the bank encouraged systems with three pillars:

• A mandatory publicly managed, tax-financed pillar designed to redistribute income and provide a minimum pension.

• A mandatory privately managed, fully funded pillar for savings.

• A voluntary pillar for people who want additional protection in old age.

While Ms. James said that she would have leaned toward providing a larger second pillar and smaller first pillar than did the Swedes, she also noted that they were the first nation with a large mature public pension system to have grappled with this problem. We think of them as being more collectivist and welfare-oriented than the United States, but they're ahead of the Americans," she said.

That may be because the United States has more favorable demographics than the European countries. Its population is aging more slowly and severe problems with the Social Security system are not generally forecast until 2030. Despite this, the United States appears in many ways to be taking the problem more seriously than Germany and France.

America will raise the retirement age to 67 from 65 early in the next century. What is more, in his State of the Union address earlier this year,

President Bill Clinton addressed concerns about the solvency of the Social Security system. "Let us say in all American watching tonight, whether you're 70 or 50, or whether you just started paying into the system, Social Security will be there when you need it. Let us make this commitment: Social Security first. Let's do that — together."

MR. CLINTON'S SPEECH came almost a year after a presidential advisory council made three proposals for changing the Social Security system, all of which would allow for the investment of some of the Social Security trust fund in the stock market. The proposals ranged from investing about 40 percent of the trust fund in stock funds linked to indexes in setting up personal security accounts, which would be neither held nor managed by the government.

Dean Baker, an economist with the Washington-based Economic Policy Institute, criticized the privatization proposal. "Even if privatization seems plausible at first glance, its promises cannot withstand the scrutiny of careful analysis," he wrote recently in the EPI newsletter. "The exaggerated promises made by privatization advocates depend on three key logical errors:

"First, proponents of privatization improperly reflect future returns based on those of the past. Furthermore, they ignore the taxes that would be necessary to finance the transition to a privatized system. Finally, privatizers downplay the administrative costs and regulatory complications associated with a Wall Street-managed system."

According to Ms. James of the World Bank, one way to reduce administrative costs is to limit the choice of investment vehicles to pension funds that agree to charge low fees. If there is unconstrained choice, she says that marketing and sales expenses will likely rise to the level of the retail market. These seemingly small expenses can matter, Ms. James said: if administrative fees are reduced by one percentage point, it can increase the value of the ultimate pension up to 30 percent.

The interest in finding more avenues of investment for pension funds is not limited to countries shifting from pay-as-you-go social security systems. Earlier this year, Lee Hsien Loong, Singapore's deputy prime minister, announced liberalized investment guidelines for Singaporeans wishing new options for investing the retirement funds they hold in their country's Central Provident Fund.

The Central Provident Fund, set up in 1955, has always operated according to the defined-contribution principle, but the fund was publicly managed without competition and earned low rates of return. As a result, many Singaporeans retiring today are finding they do not have enough money. With current contribution rates as high as 40 percent (20 percentage points contributed by the employer and 20 by the employee) compared to 10 percent in 1955, it is little surprise that Singaporeans want better returns on their money.

Under the new system, fund managers will be able to offer a wider range of products to members than the 22 existing approved mutual funds. The Central Provident Fund's board will also hire an independent investment consultant to set up a system to classify the unit trusts according to their risk/return profiles.

The fund's website cautions Singaporeans: "Nobody can guarantee that investments will always be profitable, or that CPF-approved fund managers will always make a profit. Relaxing the existing restrictions on CPF unit trusts will help fund managers to maximize risk-adjusted returns for their investors, but it will not guarantee profits."

Ms. James agrees that there is no escaping risk. "In private pensions, you face financial market risk. In public pensions you face political risk," she said. "If the public pension funds don't have enough revenues, they're going to have cut benefits."

## For further information:

• THE UNITED STATES maintains a website with comprehensive comparisons of international retirement systems at [www.ssa.gov/International/](http://www.ssa.gov/International/).

• THE OECD's report "Maintaining Prosperity in an Aging Society" can be viewed at [www.oecd.org/dataoecd/46/00/19980401.htm](http://www.oecd.org/dataoecd/46/00/19980401.htm).

FOR INDIVIDUAL COUNTRIES: Germany has information (in German) at [www.government.de/RS004061](http://www.government.de/RS004061). Singapore has information at [www.cpf.gov.sg](http://www.cpf.gov.sg) and Sweden has information at [www.pension.gov.se](http://www.pension.gov.se).

## Unsettled Retirements in Store for Euroland's Rolling Stones

By Conrad de Aenle

EUROPEAN Union governments have been driving home the message that their citizens must use corporate and personal pensions to supplement state benefits if they hope to enjoy comfortable retirements. If they wish to take advantage of the single labor market and work in different member states, a more subtle message is that they should expect less state help in planning for old age than workers who stay put.

European states have diverse rules governing the amount that can be contributed to private pensions and, more important, how and when pension money will be taxed. In some, contributions are taxed; in others tax is not due until benefits are drawn in retirement. In certain cases, notably in Germany, there are no contributions per se; under these so-called book-reserve systems, companies calculate pension liabilities each year and set aside that amount on their balance sheets.

"Each country in Europe has its own tax rules and other regulations on what an individual can have regarding supplemental benefits," said Val Vardy, a principal in the employee-benefits group of the consultancy Towers Perrin. "If you were to have total tax harmonization in Europe, ideally you could stay in a single pension arrangement wherever you're working, but at the moment there is no tax harmonization."

Consider a British employee whose company sends him to Germany. The company can continue to make contributions on his behalf in the British pension plan, but Germany will consider them a taxable part of the employee's compensation. If he had remained in Britain, the home revenue authority would not have taxed the contributions.

The logical alternative, making contributions in the new country, is not possible for this employee because of the German book-reserve

system. Even if he is sent to a country where contributions can be made on his behalf, he may not be there long enough to qualify to receive benefits, and they would be forfeited.

"If you wanted total tax efficiency, you would take out whatever is appropriate and available in the local country, but these may be entirely different in each country," Ms. Vardy explained. "At retirement, you might have built up benefits in different countries, but you might not be vested. And the benefits may or may not be taxable and payable to you in the country in which you retire."

Contributing to state pensions for nomadic workers is less problematic than contributing to supplemental, or corporate, pension plans. Under various agreements, usually between pairs of nations, workers can continue to pay into their home systems for several years or else receive promoted pensions from more than one government upon retirement.

"Whether what you get would be the equivalent of what you would have gotten in your home country depends on the generosity of different states' pension schemes," Roy Payne, an international benefits consultant at KPMG, observed. "This issue is trivial for employees traveling within the European Union but can become troublesome for workers going to and from the union."

"The only time a person would lose out is if he came from outside Europe and spent time in countries working below the minimum time for a pension and they didn't have a totalization agreement with the home country," he explained. The United States has such agreements with most countries in Western Europe, while Russia and many Asian countries do not.

The European Union has long been addressing the issue of harmonizing rules on supplemental pensions, but with little to show for it. In a recent directive, union officials said merely that they wanted member states to allow more flexibility

in transferring pension rights, but they offered little guidance in how to do it.

"This has been going on for 10 years; the recent law is just window-dressing," John Shuttleworth, a partner at PricewaterhouseCoopers, remarked. "It's very messy basically, and to fix it properly you have to recognize all the tax differences in the various countries."

A harmonization proposal has been made by the last country that would want it approved: the tax haven of Luxembourg. The grand duchy has made a good living in banking and fund management by offering preferential tax rates on interest and investment income for foreigners.

HARMONIZATION efforts threaten its financial-service industry, but officials know that the measure it has put forward, which like all union tax measures requires unanimity, would be vetoed by other states, said Diana Mackay, European head of Lipper Analytical Services, a fund research firm. By making such a proposal, Luxembourg appears to go the extra mile, knowing the journey will not likely reach its destination.

"It's quite canny on their part," Ms. Mackay said. "Luxembourg needs to be squeaky-clean, to be an integral member of the EU. They say, 'We'll promote a common taxation policy.' It makes them look good, but they know there are other countries that won't approve it."

Other European states have cracked down on their citizens' efforts to bring money to Luxembourg, so its officials know that the edge in financial services will diminish unless they appear to appease their European allies. The ultimate goal, she said, is to become a regional pension center, where multinationals can set up plans covering all their European workers.

The lethargy in creating uniform pension rules is forcing workers to take more control of their retirement arrangements by saving through personal pensions or by setting up offshore accounts

when working in countries that allow income and gains from such accounts to accrue tax-free for foreigners.

"It depends where you go, but attractive opportunities exist in offshore funds and trusts," Mr. Payne said. The greatest possibilities for "creative retirement planning" exists for workers sent outside Europe to countries, including many in the developing world, with low tax rates on investment.

Ms. Vardy of Towers Perrin said that providing pensions for relocated workers is more a task for the multinational companies that tend to employ them than for the workers themselves. "Personal pensions are fine in places where they work, but I don't think they're the answer to pension provision for employees across Europe," she said. "Companies have more scope for helping employees obtain appropriate pension provision than individuals."

She cited one client of her firm that is "setting up an arrangement that is transparent and equivalent across Europe; an employee moving to a new country will just slot into that section of the plan and will accumulate benefits and be paid from the same source." The company's costs and tax liability may be different depending on where a traveling employee works, but the employee will notice no difference in paychecks or benefit statements.

The introduction of a single currency in 11 European countries next year "will have an effect on transparency," Ms. Vardy added. "Because of that, companies may realize that they should introduce common pay and benefit arrangements across Europe."

But a common currency is not likely to have the impact that common tax and pension rules would. They are "such an important issue for companies and employees for there to be a unified Europe," she said. "The sooner they can provide harmonization on benefit and tax provision, the better."



**August 28, 1998**

[illegible]

The Fund Group in the list above is the name supplied by the fund groups to Microcap SA. It is collected and retransmitted into the list before being transmitted to the IIT. Microcap and the IIT do not warrant the quality or accuracy of the list, the date of the performance of funds of the Fund Group and will not be liable for the list, the date of the Fund Group to any extent. The list is not and shall not be deemed to be an offer by the IIT or Microcap to sell securities or investments of any kind. Investments can fall as well as rise. Past performance does not guarantee future success. It is advisable to seek advice from a qualified independent adviser before investing.



## THE MONEY REPORT

## In a Nasty Market, Concentrated Mutual Funds Are Holding Their Own

IT'S getting awfully nasty out there, but, through it all, some people are actually making money — big money. With the help of the number-crunchers at CDA/Wiesenberger, the Rockville, Maryland, mutual-fund tracking firm, I found a dozen U.S. mutual funds that were up more than 20 percent for the year, four of them up more than 30 percent — even after Thursday's 357-point decline in the Dow Jones industrial average.

I also found a bunch of funds that were down more than 30 percent, and, remarkably, the two groups have something in common. I will compare them below, but first, the nastiness and what you should do about it.

Keep in mind that, despite the 13 percent drop in the Dow since its high of 9,338 on July 17, the index of 30 giant companies is still ahead for 1998 (as of Aug. 27), by about 3 percent. The Standard & Poor's 500-Stock Index, a broader measure of stocks with large capitalizations, is up approximately 7 percent. At this point in the year, the S&P is performing precisely at the pace of its annual average (11 percent) since 1926.

Still, the large-cap indexes are hiding a lot of devastation. Four out of five stocks on the Nasdaq are down 30 percent or more from their 12-month highs. Nineteen out of 20 stocks on the New York exchange are down 10 percent or more. The Russell 2000 index of small-cap stocks is down 32 percent since April.

According to Lipper Analytical Services, as trading began Friday, the average growth stock fund still had its head above water, with a gain for the year of 5 percent, but growth and income funds (usually a safer bet) were down by 1 percent and small-cap funds, down 14 percent.

On Thursday, the devastation was broad and deep, reminding me of the passage at the end of "The Dead," James Joyce's sad and beautiful short story: "The snow was general all over Ireland. It was falling on every part of the dark central plain, on the treeless hills, falling softly upon the Bog of Allen and, farther westward..."

Yes, falling everywhere. The large international banks fell: Citicorp fell \$11.88, J.P. Morgan & Co. \$13.19, U.S.A. Floral Products Inc., the year-old roll-up of flower distributors, assembled by Washington entrepreneur Jonathan Ledecy, fell 36 percent in a single day. Even a company like Paychex

Inc., a fast-growing domestic firm that provides payroll services to small companies, fell. Falling, falling.

The good news is that the little guy is not selling — at least not yet. This could turn out to be the People's Market, after all, with small investors holding while panicky professionals unload.

The other good news is that, while they've had a tough week, some mutual funds are making good money this year. And not by selling short. ProFund UltraBear, which makes money when markets drop, rose 9 percent on Thursday, but is still down 8 percent for the year.

No, the funds that are making big money do it the old-fashioned way — by finding a few great companies, buying their stock and holding it.

The four general-equity funds that had returned more than 30 percent for the year through the closing bell on Thursday were: Janus Twenty, up 36.4 percent; Rydex OTC, up 34.0 percent; Transamerica Premier Aggressive Growth, up 33.6 percent; and IDEX Growth, up 31.3 percent.

What these funds have in common is concentration. They put most of their assets in relatively few stocks.

The Transamerica fund is a newcomer, introduced just a year ago. According to its most recent report, its manager, Treck Phillips, has a portfolio of just 18 stocks, compared with about 100 for the average fund and 285 for Fidelity Growth & Income. At the start of the year, Mr. Phillips had more than one-fourth of his assets in just three stocks, all huge winners: Dell Computer Corp., the computer retailer, up 198 percent in 1998; Amazon.com Inc., the on-line bookseller, up 295 percent; and Pixar Inc., maker of animated feature films, up 55 percent.

The Rydex fund is also concentrated, but according to a formula. It tries to mimic the Nasdaq 100, a capitalization-weighted index comprising the 100 largest over-the-counter stocks. As luck (if that's the word) would have it, the Nasdaq is dominated by three stocks, which account for 43 percent of the total index and which have done very well this year: Microsoft Corp., software, up 64 percent through Friday; Intel Corp., semiconductors, up 10 percent; and Cisco Systems Inc., networking products, up 70 percent.

In fact, Rydex OTC, which is based in Rockville, may be the most concentrated fund in the nation. Microsoft alone represents one-fourth of its assets. Two problems: 1) OTC had an expense ratio last year of 1.27 percent, far too high for a fund managed by a computer formula, and 2) it requires a minimum investment of \$25,000.

The other two members of the 30-plus club — Janus Twenty and IDEX Growth — have the same manager and roughly the same portfolio. The manager is Scott Schoelzel, based in Denver, who is following in the tradition of Tom

JAMES K. GLASSMAN ON INVESTING

Marisco, who used the same strategy of concentration from 1988 to 1997 to build Janus Twenty from a \$7 million

to an \$8 billion giant. Mr. Marisco is not doing badly himself. After what Morningstar Mutual Funds, the research service, called a "somewhat acrimonious departure" from Janus last year, he set up his own fund, Marisco Focus, also based in Denver. His top six holdings — Ford Motor Co., Dell, Pfizer Inc., Warner-Lambert Co., Citicorp and Merrill Lynch & Co. — represent an incredible 45 percent of his portfolio. So far this year, Marisco Focus has returned 25 percent — down from a 39 percent return as recently as Aug. 1.

But back to the amazing Mr. Schoelzel, who just turned 40. As of his last report (June 30), Janus Twenty was headed by Dell, 9 percent; Microsoft, 9 percent; Pfizer, the pharmaceutical company that makes Viagra, 7 percent; America Online Inc., 6 percent; Warner-Lambert, 6 percent; Cisco, 5 percent; and General Electric Co., 5 percent.

When I talked to him Friday, Mr. Schoelzel said he was taking advantage of the downturn in the market to put some of his cash and short-term bonds (about 15 percent of his assets) to work. "There are some really great franchises out there that have been blitzed," he said, citing S.A.P. AG, the German software company, and Nokia Oyj, the Finnish cellular-phone maker. "I'm buying selectively," he says. "These insane times give you opportunities."

Mr. Schoelzel, who says he has "100 percent of my own money in the fund," remains high on the financial stocks he owns, including Merrill Lynch & Co., Citicorp and U.S.

Bancorp. He continues to love Dell and AOL.

Mr. Schoelzel also founded the Janus Olympus fund in 1996, which applies the concentration strategy to a mid- and small-cap stocks as well as the large-caps that comprise Janus Twenty. That fund, now run by Claire Young, age 34, has returned 23 percent this year.

The idea behind the strategy of concentration is simple: A smaller portfolio allows managers to concentrate their brainpower on only a few stocks, so they'll make better judgments. Academic research shows that only 10 to 20 stocks are needed to reduce risk through diversification.

But is concentration really such a good strategy in practice? Josh Carlson of Morningstar wrote recently that his firm's research found that, "contrary to the conventional wisdom, concentrated funds tend to have higher risk and lower returns than the average fund." Still, he said that these findings do not "negate the value of concentrated funds for individual investors."

These funds, he writes, are "a stage for stock-pickers," and, he warns, "most stock-pickers just don't have the talent to achieve the consistently superior performance that creates stardom."

Remember that even stock-pickers who have done well in the past can crash and burn with concentrated portfolios while, with large portfolios, they won't stray far from the market averages.

Look at what has happened this year to Crabbe Huson Special, managed by Jim Crabbe. Between 1992 and 1994, the concentrated style was a huge winner for Mr. Crabbe, as he whipped the market by an average of 20 percentage points a year. But, so far in 1998, the fund, which half its assets in just nine stocks, is down a shocking 44 percent.

The other huge loser among general equity funds this year, Dreyfus Aggressive Growth, also has a concentrated portfolio, but, unlike Janus Twenty, Michael Schonberg (replaced in April by Paul LaRocco) picked the wrong stocks — dogs like Chromatics Color Sciences International Inc., down 62 percent this year.

Bob Carlson, editor of Retirement Watch newsletter, was right to tell readers to own concentrated funds in a "narrow" market like this one. But there is a risk: With such funds, you need a great manager. Otherwise, you can lose a bundle.

## Obscure Fund Polishes Up Its Image

Amway Considers Expanding Its Financial Vehicle Into a Family

By Edward Wyatt

AFTER DECADES of peddling soap, detergent and toothpaste, Amway Corp. wants to clean up in another line of business: mutual funds.

Amway's army of distributors will not be hawking fund shares at the office water cooler, or will they seek to sign up their friends and neighbors to sell the fund in the type of multilevel marketing plan for which the company is famous.

The company sells a line of commercial and household products through salespeople who sell directly to their families, friends and other acquaintances. It sells its products around the world and owns the majority of Amway Japan Ltd. and Amway Asia Pacific Ltd.

For now, at least, Amway distributors are the target buyers, not sellers, of shares of the Amway Mutual Fund. "This is not soap, where we market to our distributors and they sell to customers and receive bonuses based on sales," said James Rosloniec, an Amway vice president who oversees the company's mutual fund efforts. "But we would like to make the fund more noticeable."

In short, Amway wants its \$162 million stock fund to grow and possibly multiply into a family of mutual funds. The fund was started in 1971, making it older than most diversified equity funds. While it has never finished at the top of the fund rankings, it has rarely strayed far from the middle of the pack of the large-capitalization funds in the United States tracked by Morningstar Inc., the financial-information publisher in Chicago.

OVER THE 10 years ended Aug. 21, the fund returned an average of 15.2 percent a year, less than the 18.3 percent of the Standard & Poor's 500-stock index but ahead of the 14 percent average result of its American large-cap value peers. The fund has remained small, Mr. Rosloniec said, because Amway has never really tried to attract investors.

"It was started as a sort of paternal thing on the part of the company's owners, a kind of savings program," he said.

Certain Amway distributors, in addition to receiving an annual cash bonus based on product sales, can also receive a profit-sharing bonus, which is paid in fund shares. In January, for example, Amway bought \$14.1 million in fund shares, equivalent to about 10 percent of the fund's assets, which it transferred to distributors as bonuses.

THEREFORE, while the Amway fund is open to any investor who inquires, Amway employees and distributors own the vast majority of the fund's shares. The largest holder, with 15 percent of the shares, is a partnership and foundation affiliated with Jay Van Andel, one of Amway's two co-founders.

The sales expansion effort, at least initially, is likely to be low-key. "I don't anticipate that we'll be taking out an ad in the newspaper next to Fidelity," Mr. Rosloniec said. Instead, the company is likely to include information about the fund in monthly advertising packages mailed to distributors.

Amway is also looking for a "national marketing organization" to help expand its reach, Mr. Rosloniec said. In addition, shareholders recently approved several changes intended to make the fund "more marketable."

Among other things, they eliminated the fund's 3 percent sales charge and added a continuing distribution, or 12b-1, fee, of 0.25 percent. That fee can be used to compensate financial advisers or others who might eventually sell shares of the fund.

So why would a giant direct marketer use intermediaries to sell its mutual fund? Fund shares, like those of ordinary companies, are securities, and to sell them in the United States an individual is required to hold a license — something that most Amway distributors do not have.

Amway argues that the expansion will bolster the fund's assets, which, through economies of scale, may result in a lower expense ratio. Last year,

fund shareholders paid 0.90 percent of assets in expenses, not including the 3 percent sales load. This year, including the 12b-1 fee, they will pay 1.15 percent of assets.

Eventually, Amway hopes to reach even more investors by participating in retirement programs. But to crack that market, the company will probably have to expand its menu of offerings.

It is "probably logical for us to have an array of different types of funds" to serve the retirement market, Mr. Rosloniec said, including a fixed-income fund. Also under consideration is a charitable fund, similar to one offered by Fidelity, which allows investors to make charitable donations in the form of appreciated shares of stock.

THE QUESTION of who will manage or be the sub-adviser for any new offerings will depend on the fund's investment objectives. The portfolio of the existing fund is guided by Ark Asset Management, a New York money manager that has served as sub-adviser since 1995. At the end of June, the fund's assets were spread across about 80 stocks, mostly blue chips.

Not among them is the competing household goods maker Procter & Gamble Co., which has sued Amway twice, and certain of its distributors at least seven times since the early 1980s, contending that the company encouraged its distributors to spread false statements about the company, including rumors linking Procter & Gamble to Satanism.

Amway has denied the accusations, contending that Procter & Gamble has engaged in a false public relations campaign of its own.

Prospective investors should be aware of one key difference between Amway Mutual and the company's nonfinancial products. Unlike, say, Amway's Glister toothpaste, the fund does not come with a money-back guarantee.

New York Times Service

FOR INFORMATION about the Amway Mutual Fund, call 1-800-662-0228, or visit us at the United States, 1-800-346-0228.

## Fast-Food Stocks Whet Investors' Appetites

ORDER up some fast food. Not pizza, tacos or burgers, but shares in the companies that produce and sell the stuff. Since the Money Report checked in with global restaurant analysts last November, all but one of their favorites have proved to be sound investment choices, confirming fast food's enduring appeal to investors in the face of economic turmoil and volatile stock markets.

Moreover, these companies should continue to do well, according to their advocates. The award for resilience goes to McDonald's Corp., where the atmosphere has changed sharply from nine months ago when it was struggling in its American operations. Then, Peter Oakes of Merrill Lynch & Co. rose to its defense, asserting that investors were ignoring the fact that it was really a global company with more than 60 percent of its income from overseas.

Since that time, two of the company's biggest overseas markets, Germany and France, have taken off, and its domestic business has rebounded. McDonald's shares have zoomed from \$44 to about \$62.50, and Mr. Oakes still likes the stock, projecting \$80 over the next 12 months. "We expect operating profits in Europe to at least match the U.S. in magnitude by the end of 1999," he added.

Meanwhile, TelePizza SA of Spain, already a star last autumn, has continued its spectacular climb, staving off bouts

of volatility and profit taking, and warnings by some analysts that it has become too expensive. Shares stood at 1,405 pesetas (\$9.12) on Friday, compared with 527.50 pesetas in November (adjusted for a 20-for-1 split in May). Yet the company leads many buy lists as it makes acquisitions that have won it 60 percent of Spain's booming pizza market, and expands into Poland and Portugal. TelePizza got a boost in July when it was added to the Madrid Stock Exchange's IBEX 35 blue-chip index, and two of Morgan Stanley Dean Witter & Co.'s global stock indexes.

Back in the United States, a major fast-food surprise came from Tricon Global Restaurants Inc., a spin-off from PepsiCo Inc. Tricon runs Taco Bell, Kentucky Fried Chicken and Pizza Hut, which were seen by many as tired, worn-out brands, and the company received a lukewarm reception on Wall Street. Few expected it to live up to its catchy stock symbol of YUM.

BUT David Troesman of BT Alex Brown was right on target when he recommended Tricon as more of a financial than a food play. After months of cost-cutting, selling units to franchisees and reworking its menu, Tricon announced in mid-August that it expected earnings per share of about 84 cents for the quarter ending Sept. 5, far outstripping analysts' average estimates of 58 cents.

Investors responded by driving up the share price 14 percent in one day.

Two of the stocks reviewed last November have run into problems, although they still have their advocates. In what could only be appreciated by dedicated pizza gourmets, Papa John's Pizza International, which carved a niche in the U.S. market based on the quality of its ingredients, fell victim to a run-up in the price of mozzarella. With the stringy cheese accounting for 40 percent of Papa's food costs, it hurt profits and the stock price.

Steven Rockwell, restaurant analyst for BT Alex Brown, noted that sales in Papa John's existing stores were up a strong 7.2 percent in the most recent quarter, calling the lower share price a buying opportunity. "Over the near term, the cheese price is the only cloud on the horizon, he contended."

Bringing up the rear was the Japanese entry, Yoshinoya D&C Co., a fast-food chain, which held on with its inexpensive Japanese specialties, as the country slipped into recession. But it failed to tempt customers' tastes with its Dunkin' Donuts franchises, which were responsible for losses of 500 million yen (\$3.47 million) annually.

The news that Yoshinoya would end its agreement with Allied Domecq PLC, Dunkin' Donuts' parent, caused at least one analyst, Noriko Takahashi of Warburg Dillon Read, to raise her rating to a buy.

## BRIEFCASE

## An EMU Boost For Italy and Spain

The stock markets of Italy and Spain could be among the early beneficiaries of European Economic and Monetary Union, at the expense of those in France and the Netherlands, in the opinion of analysts at Morgan Stanley Dean Witter & Co. The reason, they say, is re-benchmarking — the anticipated shift by portfolio managers to viewing the region as a single market rather than a collection of separate states.

It is common now for institutional investors, such as pension funds, to allocate many of the assets reserved for equities to their home market and divide the rest among the various markets within and without Europe. On Jan. 1, when the euro is introduced as the currency for 11 European Union states, the domestic market for investors in each state will effectively encompass all 11.

That will mean a flow of funds out of markets that are large for the size of their economies and a more even distribution of funds across the euro zone, based on regional stock indexes, a study by Morgan Stanley says.

The markets that are likely to suffer — France, the Netherlands, Ireland and Austria — are those with heavy investment by local institutions, due to traditions of equity investment and corporate pension provision (that is what made the markets relatively large in the first place). Ireland could be hardest hit, with 60 percent of its capitalization going elsewhere, the analysts warn.

The markets with the most to gain are in countries where the state has a large role in pension provision, such as the southern countries, or where the preferred investment is bonds, those same countries plus Germany.

Other effects expected from re-benchmarking, according to the study, are an increased emphasis on large-capitalization issues, the sort likely to make up regional indexes, and allocation based on industry sectors, with money flowing especially into pan-European leaders within sectors. Conversely, reduced interest should be shown in national champions, big companies that domestic managers have felt compelled to own.

The analysts stress that the effect of re-benchmarking depends on the overall flow of funds into and among European stocks. If the market is awash with money, as it has been the last few years, the effect will be muted, except in Ireland, where the presumed consequences are especially dire.

On the other hand, "if the equity-market inflows were to dry up," they caution, "the re-benchmarking flows would become crucial" because they would convert to open-end status after plans to merge it with Scudder Spain & Portugal Fund Inc. were scuttled by shareholder opposition.

Both funds invest in Span-

ish stocks and both have been under pressure from big shareholders. Bankgesellschaft Berlin AG tried to put two members on the Growth Fund of Spain board last year as part of an effort to increase the share price of the fund, in which it is an 11 percent shareholder, while Deep Discount Advisers Inc., which holds more than 20 percent of Scudder Spain & Portugal Fund, said it would oppose the merger plan because it would only allow half of the shareholders to subsequently cash out their investments at the face value of the merged funds' holdings.

Scudder has faced opposition to its management of the funds in recent months. The asset manager, formerly known as Scudder, Stevens & Clark Inc., was acquired by Zurich Kemper Investments Inc. last year.

Although Growth Fund of Spain has posted strong returns in recent years, its shares have traded on the New York Stock Exchange at discounts of up to 20 percent to the value of its portfolio. In a letter to other shareholders last year, Bankgesellschaft Berlin cited the wide discount to net-asset value as a reason it was seeking to put representatives on the board. Recently, the discount has been about 10 percent.

Shareholder activism has been increasing at closed-end funds, which differ from open-ended funds by having a fixed number of shares. Rather than buying or selling shares from the fund itself, investors must trade them like stocks, and the price of the fund shares can be higher or lower than the value of the assets held by a fund.

One way of addressing this discrepancy is to change the fund to open-ended status, as Growth Fund of Spain's directors decided to do. Once it has become open-ended, investors can sell their shares in a fund back to the manager, who redeems them the net-asset value. If other investors do not

wish to buy the shares, the manager can sell assets from the portfolio to raise cash.

The plan to convert Growth Fund of Spain to open-ended status is subject to approval by two-thirds of its shareholders, who are scheduled to vote Oct. 28. If the conversion is approved, the fund will keep its name and be managed by Scudder Kemper.

THE INTERNET CLOSED-END INVESTOR SITE lists and evaluates major international closed-end funds. It can be consulted at [www.cetl.com/cetl/index.htm](http://www.cetl.com/cetl/index.htm)

## Detour for Shares In European Autos

European carmaker stocks were hit especially hard by the current market turmoil, suffer-

ing from fears that their expansion into emerging markets will reduce their profitability.

Fiat SpA and Volkswagen AG, which have made sizable commitments to markets such as Brazil in recent years, have lost about 23 percent of their value in August. As a whole, European automakers are down about 17 percent for the month.

"It is all about fear of a worldwide economic crisis, which is the auto stocks first," said Timo Graubock, an analyst at Merck, Finck & Co. in Milan. Yet, he thinks it is "an exaggerated decline." Optimistic analysts see low-oil prices and Europe's growing economy as providing hope for the automakers. (Bloomberg)

**DO YOU LIVE IN THE U.K.?**

• **Subscribe and SAVE up to 53% off the cover price.**

• **Also available: PAY MONTHLY by easy, low cost, direct debit.**

**HAND DELIVERY IN CENTRAL & GREATER LONDON & PARTS OF THE SOUTH EAST.**

Postal subscribers are available throughout the UK on the day after publication.

**Herald Tribune**

For more information about easy ordering and availability of hand delivery CALL our Subscriber Customer Service Department: TOLL FREE: 0800 4 448 7827 (0800 4 IHT SUBS) or Fax: +44-0171 240 34 17 E-mail: [subs@iht.com](mailto:subs@iht.com) Internet: <http://www.iht.com>

**PAYMENT BY MONTHLY DIRECT DEBIT**

☐ YES, I'd like to subscribe and have my bank account debited monthly by £17. Please start my subscription and send me a bank form to arrange my payment.

**PAYMENT BY CHECK OR CREDIT CARD**

☐ YES, I'd like to subscribe and pay for the following term:

☐ 12 months (+ 2 months free): £210 (Savings off cover price: 36%)

☐ Special, 2-month trial subscription: £22 (Savings off cover price: 53%)

☐ My check is enclosed (payable to the IHT)

☐ Charge my: ☐ Access ☐ Amex ☐ Diners ☐ Eurocard ☐ Mastercard ☐ Visa

Credit card charges will be made in French Francs at current exchange rates.

Card No: \_\_\_\_\_ Exp: \_\_\_\_\_

Signature: \_\_\_\_\_

☐ Please start delivery and send invoice.

Family Name: \_\_\_\_\_

First Name: \_\_\_\_\_

Job Title: \_\_\_\_\_

Mailing Address: ☐ Home ☐ Business \_\_\_\_\_

City: \_\_\_\_\_ Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Your VAT No (Business orders only): (VAT No 747 330 211 26)

I got this copy of the IHT at: ☐ kiosk ☐ hotel ☐ other UK/IE

☐ I do not wish to receive information from other companies. This offer expires on December 31, 1998 and is AVAILABLE FOR NEW SUBSCRIBERS ONLY.

Return your completed coupon to: Delphine Prinzelar, International Herald Tribune, 63 Long Acre, London WC2E 9JH, Fax: +44-0171 240 34 17 E-Mail: [subs@iht.com](mailto:subs@iht.com)

**READERS IN OTHER COUNTRIES CAN SUBSCRIBE BY CALLING:**

**EUROPE, MIDDLE EAST & AFRICA**

Tel: +33 1 41 43 93 61 Fax: +33 1 41 43 92 10

**THE AMERICAS**

Tel: (USA toll free) 1-800-852-2884 Fax: +1 212 755 8785

**ASIA**

Tel: +852 29 22 11 71 Fax: +852 29 22 11 99



## WORLD ROUNDUP

### ATP Says It Bans 'Andro' Already

**TENNIS** The Association of Tennis Professionals on Friday denied a published report that androstenedione had just been added to its list of banned substances, saying players already were forbidden from using it.

The New York Times had earlier reported that the men's tennis organization had banned the testosterone-producing dietary supplement on Thursday. The Times quoted Bill Norris, the ATP Tour's on-site medical trainer at a tournament in Commack, New York, as saying that players would officially be notified of the ban on Monday, the start of the U.S. Open.

"Contrary to published reports, the ATP Tour did not ban the substance effective yesterday, and that was because it was already covered under our anti-doping program," the tour said in a statement. (AP)

### Janzen Is Disqualified

**GOLF** The U.S. Open winner, Lee Janzen, was disqualified from the NEC World Series of Golf on Friday after a television viewer called to point out that Janzen waited too long for his birdie putt to finally drop on the 17th hole in the first round.

PGA Tour officials agreed with the anonymous caller and disqualified Janzen for signing an incorrect scorecard Thursday since he failed to add a penalty stroke for his delay.

On the par-4 17th hole, Janzen's birdie putt stopped with the ball hanging on the edge of the cup. After at least 20 seconds, and just as Janzen took a step toward the hole to tap the ball in, it dropped.

The rules stipulate that "when any part of the ball overhangs the lip of the hole, the player is allowed enough time to reach the hole without reasonable delay and an additional 10 seconds to determine whether the ball is at rest." (AP)

## Giants Win, Closing The Wild-Card Gap

**Baseball** The Associated Press  
Ellis Burks, Jeff Kent and Stawon Dunston homered as the San Francisco Giants beat the Mets, 11-3, to close within a game of New York and Chicago in the National League wild-card race.

Danny Darwin (8-10) allowed three runs and six hits in 5 2/3 innings on Thursday night for just his second victory since June 8 and drove in his first run of the season for the host Giants, who have won five of their last six.

Armando Reynoso (5-1), who missed the first half of the season while recovering from arm surgery, had won all five of his previous starts but gave up seven runs, 10 hits and five walks in 4 2/3 innings.

Braves 6, Cardinals 4 In Atlanta, Mark McGwire remained at 54 home runs and hurt the St. Louis Cardinals with a fielding error that led to three runs for the Braves. McGwire, who has seven homers in the Cardinals' last 11 games, was 0 for 4, dropping him to 3 for 23 (.130) against Atlanta this year with one home and one run batted in.

He popped out in the first against Denny Neagle (13-11), took a called third strike in the fourth, fouled out to first base in the seventh and grounded to shortstop in the ninth against Kerry Ligtenberg, who got his 24th save.

Cubs 11, Rockies 10 Sammy Sosa didn't take advantage of hitter-friendly Coors Field, but teammates Mark Grace, Brian Brown and Mickey Morandini did as Chicago beat Colorado in 10 innings.

On a night when Sosa went 2 for 5 with one RBI but no home runs, leaving his total at 52, Morandini delivered the winning hit in the 10th.

Padres 3, Phillies 1 Stan Spencer won in his major league debut and Ken Caminiti, Ruben Rivera and Andy Sheets bopped as San Diego completed a three-game sweep, its first sweep in Philadelphia since 1969, at Connie Mack Stadium.

Spencer allowed one run and five hits in six innings, struck out seven and

walked one. Paul Byrd (2-1) gave up seven runs — five earned — and nine hits in 5 2/3 innings.

Reds 12, Marlins 3 In Cincinnati, Sean Casey drove in five runs and Bret Boone homered twice. Liván Hernandez (10-10), the losing pitcher, lasted only three innings, matching the second-shortest start of his career.

Steve Parris (4-3) allowed three runs in seven innings to win his third consecutive start.

Brewers 4, Diamondbacks 0 In Phoenix, Rafael Roque limited Arizona to two hits through seven innings. Roque (2-1) walked two and struck out five. Reliever Eric Plunk pitched two perfect innings for his first save as the Brewers became the last team in the majors to shut out an opponent this season.

Dodgers 10, Expos 9 In Los Angeles, Bobby Bonilla and Eric Young hit two-run homers and Adrian Beltré added a solo shot as the Dodgers completed a three-game sweep of Montreal.

Eric Karros and Gary Sheffield also drove in two runs apiece as the Dodgers handed Montreal its eighth straight loss and avenged the Expos' three-game sweep three weeks ago at Olympic Stadium.

Darren Dreifort (7-12) allowed seven runs and 11 hits in 7 2/3 innings en route to his first victory since July 20.

In the American League:  
Devil Rays 10, Twins 3 Julio Santana pitched a five-hitter for his first career complete game as host Tampa Bay snapped a five-game losing streak with a victory over Minnesota.

Minnesota's designated hitter, Paul Molitor, moved past Willie Mays into ninth place on the all-time hit list at 3,284 with a first-inning ground-rule double down the right-field line.

Athletics 6, Red Sox 3 In Boston, Tom Candiotti won for the fifth time in his last six starts and Oakland broke a season-long slump against the Red Sox.

The Athletics were 1-9 with a .204 batting average against the Red Sox in their first 10 meetings this season. But on Thursday, Oakland led, 6-0, after four innings and finished with 12 hits.



Alex Rodriguez of the Mariners sliding safely home on a hit as Sandy Alomar of the Indians awaited the throw.

Mariners 10, Indians 4 Alex Rodriguez hit his 37th homer as Seattle beat the Indians in Cleveland.

The Mariners scored four runs in the first inning on two walks and an error by pitcher Jarret Wright (11-8). Ken Griffey Jr., leading the American League with 44 homers, went 1 for 5 and did not homer.

Blue Jays 11, Royals 1 In Toronto, Jose Canseco hit his 36th home run of

the season and Kelvin Escobar came within an out of the first complete game of his career as the Blue Jays routed Kansas City.

Escobar (3-2), a converted reliever, has allowed just eight earned runs in 35 innings during his first five major league starts. He allowed seven hits in 5 2/3 innings, struck out seven and walked one before Carlos Almanzar got the final out.

White Sox 7, Orioles 4 In Chicago, Greg Norton had three hits, including a two-run homer, and drove in three runs as the White Sox handed Baltimore its fourth straight loss. Rafael Palmeiro hit his career-high 40th home run for the Orioles in the eighth inning, a two-run shot off Bob Howry.

But that didn't prevent the White Sox from sweeping three games from Baltimore, which entered the series with an outstanding 31-11 record since the All-Star break.

Yankees 6, Angels 5 In New York, Bernie Williams snapped an 0-for-12 slump with an RBI double off the center-field wall with one out in the 11th inning as New York (96-36) matched its 1997 victory total.

With Derek Jeter on second, Williams drove a 1-0 pitch from Mike Fetters (2-8) to deep left-center that the Anaheim center fielder, Jim Edmonds, could not run down before he crashed into the wall.

Jay Tessmer made his major league debut and got the victory in relief. Anaheim won six of 11 games against the Yankees, who lead every other season series.

### Chasing the Record

Home run tally for two contenders to break the season record of 61 homers set in 1961 by Roger Maris (right).

**MARK MCGWIRE**  
54 0-for-4 with a fielding error vs. Atlanta on Thursday

**SAMMY SOSA**  
52 2-for-5 with one RBI vs. Colorado on Thursday

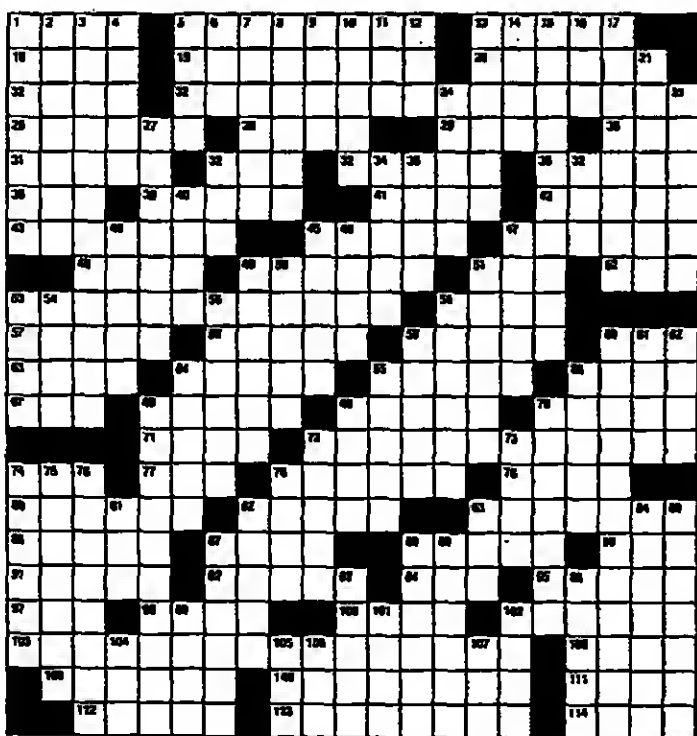


Maris through 132 games: 51

### A TWIST OF PHRASE By John Wolting

- ACROSS**
- 1 Son of Zeus
  - 3 Caucus selection
  - 13 On-line feature
  - 15 Apple seeds' site
  - 19 Poisonous shrub
  - 20 Spheres
  - 22 Make jerky
  - 23 Hypochondriac?
  - 26 Run out
  - 28 Van Morrison's "the Mystic"
  - 29 Oscar winner
  - 30 Go right
  - 31 None too brainy
  - 32 Former male record-holder
  - 33 Magical symbol
  - 36 Christmas leapers, in song
  - 38 Pub order
  - 41 Overcast
  - 42 Classroom accessory
  - 43 Like denim
  - 45 Showed fright, in a way
  - 47 Soccer team
  - 48 "Vissi d'arte," e.g.
  - 49 Like the Trojan horse
  - 51 Food stat.
  - 52 D.C. setting
  - 53 Quick-starting worker?
  - 56 American naturalist John
  - 57 Bernie's partner in songwriting
  - 58 Checks
  - 59 Cardigan
  - 60 Jet follower
  - 63 Sibyl
  - 64 North Dakota city
  - 65 Upside-down sleeper
  - 66 Stay near the shore
  - 67 TV adjustment: Abbr.
  - 68 Ottoman, e.g.
  - 69 Late puppeteer
  - 70 Hyperion, for one

- DOWN**
- 11 x and y
  - 22 Grudge-C movie?
  - 24 It may be lent or bent
  - 27 Addr. book entry
  - 28 Dramatists' devices
  - 29 Bartlett's abbr.
  - 30 Water cannon target
  - 32 Colorings
  - 33 Take offense
  - 36 Certain suit
  - 37 Secured
  - 38 Drop off
  - 39 Promot
  - 40 Classroom's wear
  - 41 Meager
  - 42 Commuter's home, perhaps
  - 44 On
  - 45 Slog
  - 47 Interminable time
  - 48 Eastern royal
  - 49 Some bends
  - 50 Last original
  - 51 Ancient Greek puzzle?
  - 52 —libre (poetry style)
  - 53 Deceive
  - 54 Pacific Rim capital
  - 55 Year, on monuments
  - 56 Florida's units
  - 57 Sticky-road critter
  - 58 "Name" actress
  - 60 Consented
  - 61 Roll of coins
  - 62 Wild-eyed orator?
  - 63 Percolates
  - 64 Fuller construction
  - 65 High priest at Shiloah
  - 66 Multitudinous
  - 67 Took in
  - 68 No-one-um
  - 69 "Later"
  - 70 Common base
  - 71 Prior to



© New York Times/Edited by Will Shortz.

### Solution to Puzzle of Aug. 22-23

- ACROSS**
- 1 Zeus
  - 3 Caucus
  - 13 On-line
  - 15 Apple
  - 19 Poisonous
  - 20 Spheres
  - 22 Jerky
  - 23 Hypochondriac
  - 26 Run out
  - 28 Morrison
  - 29 Oscar
  - 30 Right
  - 31 Brainy
  - 32 Former
  - 33 Magical
  - 36 Christmas
  - 38 Pub
  - 41 Overcast
  - 42 Classroom
  - 43 Like
  - 45 Showed
  - 47 Soccer
  - 48 Vissi
  - 49 Trojan
  - 51 Food
  - 52 D.C.
  - 53 Quick
  - 56 American
  - 57 Bernie
  - 58 Checks
  - 59 Cardigan
  - 60 Jet
  - 63 Sibyl
  - 64 North
  - 65 Upside
  - 66 Stay
  - 67 TV
  - 68 Ottoman
  - 69 Late
  - 70 Hyperion
- DOWN**
- 11 x and y
  - 22 Grudge
  - 24 It may
  - 27 Addr.
  - 28 Drama
  - 29 Bartlett
  - 30 Water
  - 32 Color
  - 33 Take
  - 36 Certain
  - 37 Secured
  - 38 Drop
  - 39 Promot
  - 40 Class
  - 41 Meager
  - 42 Commu
  - 44 On
  - 45 Slog
  - 47 Inter
  - 48 Eastern
  - 49 Some
  - 50 Last
  - 51 Ancient
  - 52 —libre
  - 53 Deceive
  - 54 Pacific
  - 55 Year
  - 56 Florida
  - 57 Sticky
  - 58 "Name"
  - 60 Consented
  - 61 Roll
  - 62 Wild
  - 63 Percol
  - 64 Fuller
  - 65 High
  - 66 Multitu
  - 67 Took
  - 68 No-one
  - 69 "Later"
  - 70 Common
  - 71 Prior

## IOC and Drugs: A Collision Course

**International Herald Tribune**  
**B**OSTON — The consequences of the current uproar over Mark McGwire's use of a steroid have little to do with McGwire and everything to do with the future of the Olympic Games.

Sometime in the next century, the International Olympic Committee would like major league baseball players to compete in the Summer Games according to the trend of Dream Teams set down by the NBA and NHL players in recent years. Indeed, if Olympic baseball doesn't go professional soon, the IOC has indicated that it might be eliminated from the Olympic program altogether.

Here is the problem: How could someone like McGwire, the biggest name in baseball this season, survive the Olympic drug tests?

McGwire has neither been violating the rules of baseball nor breaking American laws by taking androstenedione, an over-the-counter muscle-building drug. American baseball doesn't test its players for that drug, for the more potent anabolic steroids or for any other performance enhancers.

The IOC does conduct such tests. Its public outcry over the exploitation of such drugs is at the moral and ethical foundation of the Olympic movement.

The IOC is going to have to do something about that foundation someday, and it's not going to be an easy decision. Over the last decade the Olympics have become a sensational TV show. The Games' biggest source of income is the American television network NBC, and the main sponsors are predominantly American corporations that invest in the Olympics in order to air advertisements around the high-powered

100-meter dash and the female gymnasts hopping along the balance beam.

When the IOC invited the NBA superstars to compete at Barcelona in 1992, the move was presented as an opening of borders. The IOC said it simply wanted to involve the world's most talented athletes, regardless of their commercial success.

But the practical truth is that the Olympics needed NBA players for the ratings. The IOC was charging top dollar for the TV rights so, as in a big-budget Hollywood blockbuster, it had to bring in the biggest names in show business.

The Games have gone down a path from which there is no return. If they are to follow a hard line in their policing of performance-enhancing drugs, then they probably shouldn't be in partnership with the NBA, which doesn't test its players for illegal anabolic steroids and the like.

Understand that this look-the-other-way approach to drugs is unique to America. Virtually all of the sports leagues outside America are run by federations that make the claim, at least, of supporting the basic Olympic guidelines on performance-enhancing drugs. Those federations may not agree on a single comprehensive list of such drugs, but at least they make policing those drugs an issue. In the most popular American sports, it is not an issue.

If you were to ask American spectators whether such drugs should be drummed out of sports entirely, I'm guessing that most of them would express a ho-hum ambivalence. Don't permit high school or even college athletes near a syringe of devastating Human

Growth Hormone, they might say. But if NFL players, baseball sluggers and NBA power forwards want to use those drugs, let 'em. It's their decision.

What it comes down to, unfortunately, is the feeling that these drugs lead to better competition. The athletes become larger than life in their physiques, Herculean in their strength and speed. The audience doesn't want a return to the days of scrawny sprinters, much less offensive linemen who weigh under 300 pounds (136 kilograms). The unarticulated consensus, in America, at least, is that athletes are performers. They shouldn't look normal. They should look superhuman.

Bless the IOC for keeping performance-enhancing drugs on the agenda. The drugs are poisonous and do not improve the quality of life, but rather threaten it.

But understand, too, that the IOC's public attempts at curbing the use of such drugs is doomed to fail. As a spectacle of television, any quest to abolish tools that improve the spectacle is a quest that is not in the Olympics' business interests.

The people who negotiate TV rights and sponsorships in the billions of dollars are the same people who oversee the drug tests — tests that, if found to be positive, would cripple their ability to land those billions. Someday they might decide to give up testing for drugs altogether. They might just find that no one really blames them.

Ian Thomsen is a senior writer for Sports Illustrated magazine.

**AT&T Direct Service**

**SPANISH**

**AT&T Access Numbers**

Area	Access Number	Area	Access Number
Atlanta	800-441-1111	Atlanta	1-800-441-1111
Boston	800-441-1111	Boston	1-800-441-1111
Chicago	800-441-1111	Chicago	1-800-441-1111
Dallas	800-441-1111	Dallas	1-800-441-1111
Denver	800-441-1111	Denver	1-800-441-1111
Houston	800-441-1111	Houston	1-800-441-1111
Los Angeles	800-441-1111	Los Angeles	1-800-441-1111
London	800-441-1111	London	1-800-441-1111
Madrid	800-441-1111	Madrid	1-800-441-1111
Mexico City	800-441-1111	Mexico City	1-800-441-1111
New York	800-441-1111	New York	1-800-441-1111
Paris	800-441-1111	Paris	1-800-441-1111
San Francisco	800-441-1111	San Francisco	1-800-441-1111
Seoul	800-441-1111	Seoul	1-800-441-1111
Singapore	800-441-1111	Singapore	1-800-441-1111
Tokyo	800-441-1111	Tokyo	1-800-441-1111
Washington	800-441-1111	Washington	1-800-441-1111

with AT&T Direct™ Service. Get fast, clear, reliable connections home from foreign lands. Just dial the access number of the country you're calling from and charge it to your AT&T Calling Card or credit card. Translation? Easy worldwide calling. For a list of access numbers, see our ad on the back page.

(now you're talking)

It's all within your reach.





## SPORTS

# Manning Hurls for 2 TDs As Colts Tame the Lions

The Associated Press

The preseason is over for Peyton Manning.

The richest rookie in National Football League history closed his preseason impressively late on Thursday, passing for 172 yards and two touchdowns to help the Colts defeat the Detroit Lions, 20-17, in Indianapolis.

Both touchdowns tossed went to Marvin Harrison, including a 76-yarder on the first offensive play of the game.

"We saw some things on film that we thought we might get deep on them early," said Manning, who hit Harrison in the end zone for the first touchdown.

Manning and Harrison later connected on a 40-yard touchdown play before being given the second half off. The former Tennessee star finished the preseason with four touchdowns, completing 32 of 65 passes for 520 yards with three interceptions and only two sacks.

He and Harrison, the team's first-round draft pick

in 1996, have quickly become a potent weapon. Harrison had 11 catches for 296 yards and four touchdowns in the preseason.

"Marvin is our most experienced receiver. You always try to develop great

## NFL PRESEASON

ing with all your receivers, but I threw a lot of balls to Marvin in the mini-camps and during training camp and our timing feels good," Manning said.

The Colts (2-2) will open the regular season Sept. 6 against the Miami Dolphins. Detroit (1-3) opens at Green Bay.

"I'm as ready as I can be," Manning said.

Jaguars 42, Cowboys 20. The preseason is finally over for the Dallas Cowboys. As far as Troy Aikman is concerned, so are the excuses.

For the first time in 12 years and only the third time in the 39-year history of the franchise, the Cowboys went through an exhibition season

without winning. The Jaguars made sure of that Thursday night in Jacksonville, getting sharp play from quarterback Mark Brunell and four turnovers by the defense.

"What's important, said Aikman, is that 'the preseason is over, and no one can sit here at the end of next Sunday and say we were playing younger players.'

He added, "Whatever excuses we had over the last few weeks, we don't have those anymore."

That's not to say their troubles are behind them.

On the day before the Cowboys' final preseason game, left tackle Larry Allen was named in a complaint by a topless dancer who alleged she was raped at knife-point. No charges have been filed, and Allen isn't talking.

The Jaguars (2-2) have no such concerns.

The only event that has shaken up their camp in four years was when Brunell tore knee ligaments last season and missed two regular-season games. He went on to lead the American Football Conference in pass efficiency last year and showed again Thursday night he's poised for a big year.



Peyton Manning of the Colts looking downfield for a receiver during his team's 20-17 victory over Detroit.

Teague and picked out of the air by Dexter Coakley for a 22-yard touchdown return — Brunell looked sharp.

He was 8-of-12 for 148 yards and touchdown passes of 45 and 31 yards to Jimmy Smith. The Jaguars rushed for 176 yards and outgained the Cowboys, 455-230.

# Cup Draw Is Kind to Chelsea

The Associated Press

MONTE CARLO — Chelsea will return to Sweden to defend the European Cup Winners' Cup crown that it won in Stockholm last May, the London team learned after Friday's European soccer draws.

Chelsea will face Helsingborgs in a match that it is expected to win comfortably. The first leg is at Stamford Bridge on Sept. 17, with the return two weeks later.

Italy's Lazio, which could soon be boosted by the arrival of star striker Christian Vieri from Athletic Madrid, is the favorite to win the Cup Winners' Cup. The Rome club also has an easy-looking start, against Lausanne of Switzerland.

Spain's Majorca, which is also expected to go far, starts with a tricky match against Hearts of Scotland.

Duisburg of Germany will face Celtic of Belgium, while Paris Saint-Germain will square off against the Israeli cup winners, Maccabi Haifa.

In the UEFA Cup, neither last year's winner or runner-up was in Friday's draw.

The cup holder, Inter Milan, qualified for the Champions League, while Lazio,

the team it beat, 3-0, in last season's final, is in the Cup Winners' Cup.

Among the most eagerly awaited contests will be that between Stuttgart, last season's runner-up in the Cup Winners' Cup and Feyenoord of the Netherlands, which won the UEFA Cup in 1974 and is among the favorites this year.

Italian clubs have won seven of the last 10 UEFA Cup competitions, but this year its entrants face difficult first-round hurdles.

Parma has a tricky match against Fenerbahce of Turkey and Fiorentina has tough opposition in Hajduk Split.

Udinese, one of the surprise packages of Serie A last year, had the roughest luck of all, being paired against Bayer Leverkusen of Germany.

■ UEFA Girds for Talks

As directors of Europe's biggest clubs swirled around Monte Carlo's famous casino after the Champions League draw, UEFA was finalizing plans Friday to dissuade them from making the gamble of their soccer lives by joining the proposed breakaway Super League, The Associated Press reported from Monaco.

UEFA's governing Executive Committee is to meet here Saturday and is expected to make changes to its main club competition to avert an unprecedented split in European soccer.

Big clubs are in negotiations with the Milan-based media-rights company Media Partners about forming a breakaway league.

UEFA has never faced such a threat to its pan-European governance since its formation in 1954.

"There are mixed signals coming from UEFA," said David Brooks, chief soccer analyst at the securities house Nomura International, in London. "On the one hand, it seems that it wants nothing to do with Media Partners, but at other times its tone is much more conciliatory."

Pundits said UEFA was expected to make several changes to the setup of its competitions, such as combining the Cup Winners' Cup and UEFA Cup.

Among the more contentious issues is whether UEFA would agree to work with Media Partners and if it would distribute more of the income from the Champions League to the clubs.

## SCOREBOARD

### BASEBALL

#### MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE	W	L	Pct.	GB
<b>EAST DIVISION</b>				
New York	36	27	.569	0
Boston	29	34	.459	7 1/2
Baltimore	29	34	.459	7 1/2
Toronto	26	37	.413	10 1/2
Tampa Bay	20	43	.323	16 1/2
<b>CENTRAL DIVISION</b>				
Cleveland	33	30	.523	0
Kansas City	31	32	.492	2
Chicago	29	34	.459	4 1/2
Minnesota	27	36	.429	6 1/2
Detroit	21	42	.338	12 1/2
<b>NATIONAL LEAGUE</b>				
<b>EAST DIVISION</b>				
Atlanta	30	29	.508	0
New York	27	32	.459	3 1/2
Philadelphia	24	35	.406	6 1/2
Montreal	21	38	.354	9 1/2
Florida	17	42	.293	13 1/2
<b>CENTRAL DIVISION</b>				
Houston	32	27	.543	0
Chicago	31	28	.524	1
Pittsburgh	24	35	.406	7 1/2
St. Louis	22	37	.370	9 1/2
Cincinnati	22	37	.370	9 1/2
<b>WEST DIVISION</b>				
San Diego	27	32	.459	0
San Francisco	22	37	.370	5 1/2

MAJOR LEAGUE STANDINGS				
Team	W	L	Pct.	GB
<b>NATIONAL LEAGUE</b>				
<b>WEST DIVISION</b>				
Los Angeles	27	32	.459	0
Colorado	22	37	.370	5 1/2
Arizona	20	39	.340	7 1/2
<b>EAST DIVISION</b>				
Minnesota	20	39	.340	0
Tampa Bay	22	37	.370	2 1/2
Milwaukee	20	39	.340	4 1/2
St. Louis	18	41	.309	6 1/2
Cleveland	18	41	.309	6 1/2
Pittsburgh	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego	18	41	.309	6 1/2
San Francisco	18	41	.309	6 1/2
Los Angeles	18	41	.309	6 1/2
Colorado	18	41	.309	6 1/2
Arizona	18	41	.309	6 1/2
San Diego				



DAVE BARRY

## Gearing Up for School

MIAMI — It's back-to-school time, parents, and you know what that means! It's time to get the kids off the TV-room sofa, using logging equipment if necessary, and take them to the mall for back-to-school supplies.

Getting the right school supplies is crucial to your child's chances for success in life. We all remember the tragic story of young Abraham Lincoln, whose family could not afford school supplies, so he had to write on a shovel blade with a piece of coal. This meant that if young Abe saw a cute girl and wanted to pass her a note in class, he had to hand her this big gross filthy digging implement, sometimes with worm parts stuck to it, and she'd go, "Ewww!" and all the other kids would laugh at Abe. (It did not help that he was the only boy in the fifth grade who had a beard.) As a result, Abe had low self-esteem and was so desperate for popularity that he became president. Unless you want that kind of thing to happen to your child, you had better get the right kind of back-to-school supplies.

What are the "right kind" of supplies? According to the American Association of School Teachers Who Get the Whole Summer Off and You Don't Ha Ha Ha, to meet federal educational standards, "every item your child takes to school, including dental braces, must be festooned with a licensed cartoon character such as the Little Mermaid or Leonardo DiCaprio."

Your child also needs a backpack or — if you wish to have a truly modern, state-of-the-art schoolchild — an actual airline-style suitcase with a handle and wheels. In my neighborhood, I see elementary-school students bawling these things around, and I say to myself, "They're in SECOND grade! What are they CARRYING in there? Fifty-pound Twinkies?" But that is not the point. The point is, American students may not have the best educational test scores when compared with foreign students, or even certain species of foreign plants, but by gosh our kids lead the world in cubic feet of academic carrying capacity.

Another item you should have on your back-to-school list is some kind of notebook. I know there are many kinds of newfangled "high-tech" notebooks on the market today, but for my money, the old-fashioned three-ring binder that I used as a schoolboy remains, as an educational tool, one of the most useless things ever invented. I spent basically all of my classroom time from 1955 through 1963 trying to repair torn notebook paper with those stupid "reinforcing rings" that were always gumming themselves together into a little defensive clot. It cannot be coincidence that during these same years, the Soviet Union surged ahead in the Space Race.

So whatever you do, do NOT get your child one of these. Your child would be better off with a shovel.

Finally, while you're in the school-supplies department, see if they have any of that heavy white paste that we used in first grade to make art projects. Kids don't need it for school anymore, but you should pick up a pound anyway, because it's delicious.

O.K.! Now that you've got the educational supplies, it's time to shop for back-to-school clothes. What kinds of outfits do today's kids want? That's easy! They want outfits that you really hate. For example, if you have a daughter, you would prefer for her to go to school dressed, basically, as a nun; whereas she wants to look as if she has been rejected for employment by a house of prostitution on the grounds of looking too slutty. How do you, as a parent, resolve this dispute? According to the American Association of Child Psychologists, the secret is to "discuss your differences with your daughter, openly and nonjudgmentally, until the two of you are screaming at each other and she stomps away shouting at the top of her lungs that she hates you and is going to join a motorcycle gang." Don't worry about attracting attention: There will be at least 50 other sets of parents and daughters in the Junior Department doing the same thing. It's a back-to-school tradition!

Buying clothes for boys is much easier. What boys want to wear is — write this down — big pants. A good rule of thumb is, if the pants do not contain enough material to make all the sails needed to equip a full-sized 19th-century whaling vessel, then those pants are too small for your modern American boy.

O.K.! You're all done with your back-to-school shopping! Now it's time to send the kids off to school. Even if school doesn't technically start for several more days, shove the little rascals out the door and lock it. Because you've had a long, noisy summer, and you deserve a chance to just lie quietly on the sofa and relax. Maybe fix yourself a bowl of paste.

© 1998, The Miami Herald  
Distributed by Tribune Media Services Inc.

Getting the right supplies is crucial to a child's chances for success.

## On the Road, in Search of a Rock and Roll Muse

By Neil Strauss  
New York Times Service

LOS ANGELES — "I always saw myself as the kid who stepped up out of the front row and onto the stage and had the guitar for a while and carried that particular flame," Bruce Springsteen once said. "I wasn't interested in immediate success or how much each particular record was selling. I was interested in becoming part of peoples' lives and part of fans' lives and hopefully growing up with them."

In a nutshell, that is the great rock and roll dream. It is a fantasy both political and parental, a musician's desire to be elected by the people as an intimate voice and outwitting authority figure.

It is not just about being successful. It is about being a true believer in rock and roll and its power to speak louder than words, to be a disembodied best friend who understands what you are feeling and lets you know that it's all right to feel that way. In the same way that the best parent is one who still remembers what it was like to be a child, the best rock and roll musician is often one who still remembers what it was like to be a fan, to lie in bed, headphones on, an album lyric sheet in hand.

Mary Cutrufello, a 27-year-old singer and guitarist whose major-label debut "When the Night Is Through" (Mercury) was released on Tuesday, is just such a member of the faithful. She is a fan-turned-musician chasing the great rock and roll dream, which has grown ever more elusive in a time when pop radio has become a nightmare.

Born to interracial parents who were musicians, adopted by two female schoolteachers in New York and a student of 20th-century transportation at Yale University, she is a populist fighting against a background that constantly threatens to marginalize her.

The burden of her past is something she discovered after graduating from Yale and chasing her muse down South — learning

about country and roots music in Nashville, Austin and Houston, where she lives now.

"I realized I would never just be a Nashville or a Texas artist, I'd always be the one from Yale or the one from the north or the black one or what have you," she said.

Two years ago, Cutrufello was touring as a backup musician for Jimmie Dale Gilmore, one of Texas folk's most gentle, wounded and gifted spirits. Nearly everyone at the shows left talking about the amazing guitarist who looked like Tracy Chapman. Cutrufello, who, with her powerful, assertive stage presence, constantly upstaged the self-effacing Gilmore.

On her own in concert, Cutrufello knows how to give the appearance of pouring every ounce of her being into each note, with every picked string eliciting a grimace and every lyric sung with an intensity intended to drive it into the heart of the listener.

Watching her perform sometimes feels like being in the presence of the next Bruce Springsteen or Melissa Etheridge, but at other times it feels like playing into the hands of a self-invented rock hero with a manual on how-to-become-a-legend in her back jeans pocket.

While Cutrufello has mastered the intensity of live performance, she hasn't figured out the same trick in the recording studio. Full of revved-up barroom rock, teeming with bluesy guitar lines, honky-tonk attitude and elements of rhythm-and-blues, folk and '60s rock, "When the Night Is Through" sounds like it was meant to be a classic, though it falls short of the mark. It is just promising. As on stage, she tends to overdo it, trying to lead her voice with more experience and age than she has.

But the technique works better in front of an audience than in the studio. At times, like when she growls, "Ain't it good to be alive on a sunny day," Cutrufello manages to turn simple statements into powerful rock that connects with the listener. At other times, the album dissolves into well-intended



Mary Cutrufello, singing the National Anthem at the Astrodome.

cliché. But Cutrufello is only at the beginning of her journey for self-definition.

Sitting in the cheap seats at a recent Los Angeles Dodgers game, Cutrufello discussed her development and ambitions. Where most musicians strive to be different and unique, Cutrufello tries to blend into the crowd. "That's what's important to me, the things people have in common," she said. "I'm into speaking for people who don't have a voice of their own — because I didn't for a while."

And, for this chaser of the rock and roll dream, who are those people who don't have a voice?

industry to thank for her music. A tomboy, she lived for the sport until the 1981 baseball strike.

"I moped around the house for a year," she said. "That's when I picked up the guitar. I stopped following baseball for 12 years after that."

Though her ambition in high school was to go to New York and perform musical theater, a road trip through the American Southwest and a few Dwight Yoakam and Steve Earle albums soon thwarted that.

After leaving Yale she hit the Texas honky-tonk club scene. "I worked really hard to learn that style and be respectful of it and figure out my place in it," Cutrufello said. But it turned out that her place wasn't in country music.

"She came to Nashville, and I let her get a sense of the country music business," her manager, Holly Gleason, remembered. "It wasn't that she disliked the people, but it wasn't her destiny. She realized that in Nashville she would have been black before she was anything else. We were at the bar one night and she slammed her beer down and said, 'Rock deal!' I said, 'What?' She said, 'Rock deal! I want a rock deal.'"

Gleason found one in no time. One of the album's oldest songs is "Sister Cecil," which Cutrufello wrote in college about her adopted younger sister, Cecil. Through Cutrufello was adopted when she was 5 months old, Cecil came into the family at the age of 3.

"When Cecil showed up, she was a scared little kid, small for her age," Cutrufello remembered. "Her shoes didn't fit and all her clothes were in a box. She was like a dog that had been kicked when it was young. It took a couple years for her even to let us give her a hug. I think there's a little bit of that in all of us — a little bit scared, unsure of ourselves, haven't quite figured out what this whole life thing is yet. And I know that rock and roll helped order some of the world for me in that respect and I think that's a great thing to be able to give back."

## PEOPLE

**YELLOWED** by varnish layers applied over the centuries, the Mona Lisa remains the Louvre's top attraction. But some experts say it's time for a face-lift — to which the Louvre says, "Hands off!" Thanks to computer technology, the French magazine Journal des Arts is offering a glimpse of what the Mona Lisa may have looked like when Leonardo da Vinci painted her in 1503: rosy cheeks instead of yellow pallor, pale blue skies instead of the famed sunset glow. The debate, to clean or not to clean, follows the Louvre's decision to give the world's most famous painting a room of her own. Art experts are urging the Louvre to take advantage of the move to scrape off the varnish applied to preserve the work's magical luster. For the Louvre, there's no debate at all. "It's absolutely out of the question to restore the Mona Lisa in any way," said Jean-Pierre Cuzin, chief paintings' curator at the Louvre.

About 450 cheering onlookers, most of them apparently Barbara Streisand fans, were on hand as the couple arrived

to see James Brolin's star unveiled on the Hollywood Walk of Fame. Brolin and Streisand were married July 1.

Luciano Pavarotti underwent hip surgery and was recuperating at his villa on the Adriatic Sea, the tenor's spokeswoman, Renata Meroni, said. Meroni said the opera star plans to stick to his concert commitments beginning in October.

Bob Denver, who played the title character on the television series "Gilligan's Island," pleaded no contest in a West Virginia courtroom to a charge of possessing about 1.5 ounces of marijuana and was placed on six months' unsupervised probation.

A Dutch arts foundation announced Friday that it had brought back to the Netherlands the last major work of the Dutch painter Piet Mondrian, "Victory Boogie Woogie," which it bought

for \$40 million. The national foundation for the conservation of arts said it bought the picture, which Mondrian painted in New York between 1942 and his death in 1944, from a private American collection. The fund will hand over the picture to the city museum at The Hague, which holds the main collection of Mondrian's works. The painting will be on display after Oct. 29.

Steven Hammond, a partner in the Hughes Hubbard & Reed law firm of New York, will succeed Bernard Chaen of France as president of the International Association of Lawyers.

The fiancé of the former Mousketeer Darlene Gillespie pleaded guilty to 21 federal charges related to a securities fraud scheme that allegedly involves Gillespie as well. Jerry Fraschilla was freed on bail pending a sentencing hearing scheduled for Nov. 16. Gillespie is free on bail awaiting trial scheduled for Sept. 14.



Newlyweds Brolin and Streisand, at the ceremony.



(take in a rock show)

and use AT&T Direct<sup>SM</sup> Service. With the world's most powerful network, you get fast, clear, reliable connections from anywhere. Plus you'll always have the option of an operator who speaks your language. All it takes is your AT&T Calling Card or credit card, and you're well on your way. Important stuff, when you're out on tour.

For easy calling worldwide:

1. Just dial the AT&T Access Number for the country you are calling from.
2. Dial the phone number you're calling.
3. Dial your card number.



AT&T Access Numbers					
Austria	022-903-011	Greece	00-809-1211	Saudi Arabia	1-800-10
Belgium	0-800-100-10	Ireland	1-800-550-000	Spain	900-77-80-11
Czech Republic	06-472-000-101	Israel	1-800-84-94-999	Sweden	020-775-611
Egypt (Cairo)	510-0250	Italy	172-1011	Switzerland	0800-89-0011
France	0-800-99-0011	Netherlands	0800-022-9111	United Kingdom A+	0800-89-0011
Germany	0170-0010	Russia (Moscow)	735-5042	United Kingdom A+	0800-89-0011

For access numbers not listed above, ask any operator for AT&T Direct Service, or visit our Web site at: [www.att.com/traveler](http://www.att.com/traveler)



It's all within your reach.

Credit card calling subject to availability. Payment terms subject to your credit card agreement. Bold-faced countries permit country-to-country calling outside the U.S. Collect calling is available to the U.S. only. Country-to-country rates consist of the cost of a call to the U.S. plus an additional charge based on the country you are calling. Not all countries listed above. \* Pay phone deposit. \* Limited availability. \* Calling available to most countries. \* Public phones require local coin payment during the call. \* Dial "02" for collect calls. \* Additional charges apply outside Moscow, Russia. \* U.K. access number in Ireland. \* If call does not complete, dial 0800-013-0011. © 1998 AT&T